



Diligent

# BEST PRACTICES FOR EFFECTIVE POLICY MANAGEMENT



# Introduction

Effective policy management has always been critical to the success of corporate compliance programs. The events of 2020, however, have been a powerful reminder that **policy management is becoming even more critical to the success of compliance programs**, and to business performance overall.

Corporations have endured pandemic, recession, social justice protests, and climate disruption—immensely powerful forces that demonstrate the importance of responding to changing circumstances in a disciplined, thoughtful manner. Meanwhile, the U.S. Justice Department [published new guidelines for effective compliance programs](#), where one primary message was that compliance programs must evolve with a company's changing risk profile.

All of this underlines the need for effective policy management. Without it, corporations won't be able to meet regulators' expectations for compliance programs, or respond to disruptive external events in an efficient manner. To put matters in terms the CEO and the board would appreciate: **effective policy management is a strategic advantage for the modern enterprise**. It helps the business to achieve its objectives even in today's highly regulated and highly unpredictable world.

That said, policy management is a complicated process—and one that increasingly depends on wise use of technology to succeed. To build an effective policy management program, compliance officers should focus on the following six points.

## WORKFLOWS

Well-structured workflows guide the development and implementation of policies; they are, fundamentally, the process by which policies are created and managed. Well-structured workflows save time and resources for the executive team (including the compliance officer!) and establish a clear, consistent approach to policy management—which regulators want to see when reviewing the effectiveness of a compliance program.

For example, workflows can define who “owns” certain policy duties: local managers might be allowed to set policy for vacation scheduling, while senior executives set policy for due diligence of third parties. Workflows also define the steps that should happen for policy management: who writes the policy, which executives can review the policy, which executives can approve or veto the final version, and so forth.

Workflows should be able to create alerts for steps that don't happen in a timely manner, and then escalate those concerns to the proper senior executives. They should include guidance on which employees should receive a new policy.

Lastly, workflows should include reminders for periodic review of policies that might be subject to change. (The pandemic is an especially apt example of this point. Consider all the new work-from-home or health and safety policies companies have adopted, and how those standards might need to change from one quarter to the next.)

## RAPID RESPONSE

The pandemic (and weather disasters as well) also demonstrates the need for a “rapid response” capability in policy management. Companies must be able to identify changed circumstances, devise policy responses quickly, and assure that those updated policies promptly go to the affected employees.

The pandemic alone drove an enormous number of new regulations around the accommodations companies must make to employees either working from home or working in physical locations with heightened health risks. Even without new regulations, the pandemic forced changes in operating procedures that altered existing risks; consider all the new security risks introduced by having millions of employees using online collaboration tools.

Strong policy management identifies those changed circumstances quickly, and then relies on workflows to churn out new policies responsive to the issue. For example, policy management should integrate into any system or process the company has to monitor regulatory change, so that new regulations applicable to the business generate an alert that new or revised policies might be necessary.

Or if the company has an in-house committee to discuss operational issues (say, evacuation plans for wildfires or hurricanes), part of that process should be consideration of new policy.

When a new policy is warranted, workflows and rapid response should work hand-in-glove, relying on templates and field-tested processes to generate, approve, and roll out the new policies swiftly.

## EMPLOYEE UNDERSTANDING

Effective policy management should assure that once new policies are developed and sent to employees, those employees certify their receipt and understanding of the material. Many compliance programs have already integrated this concept into training—say, a short quiz and attestation requirement at the end of an anti-corruption course. Indeed, having employees sign a physical copy of the company handbook or policy manual has been standard procedure for decades. Policy management in the online era is no different. It should include an attestation requirement; some mechanism for employees to ask questions about the policy if they're unclear on what's expected of them; and alerts to managers about which people have ignored that certification requirement, so managers can follow up. Again, this part of policy management should include alerting and escalation features, so that managers and senior executives can be aware of who isn't reading and attesting to the policy in a timely manner. Compliance officers will also want to aggregate employee attestations for better reporting and analytics: seeing at a glance which business units take longer to complete attestations, or which policies seem to need more time for employee understanding. That insight helps the compliance officer to improve future policy development—and provides a nifty bit of documentation when regulatory examiners review your program.

## ‘LIVING’ METADATA

There is enormous potential to improve policy management by embracing what we can call “living” metadata: where technology tracks how employees interact with your policy management system, to help them find needed information more quickly and to let managers understand which policies need the most scrutiny.

For example, a large organization can easily have thousands of policies, all housed in one library. That could pose daunting hurdles for an employee searching for a specific policy relevant to him or her; they could spend an hour sifting through all policies related to “facilitation payments” or “harassment” or “COVID-19.”

Living metadata would manage your policy library more like an AI-driven search engine, where it displays the “Top

10 Policies Read This Week” or “Most Read Policies About COVID-19.” At a global organization with many thousands of employees, chances are that any single employee is looking for the same material as everyone else. (The library could also remember each employee’s particular policy preferences, so he or she wouldn’t have to recreate a complicated search every time.)

Living metadata can also allow employees to “chat” about policies with managers and compliance officers, akin to adding comments in a shared document. They could ask, “Why did we change this?” or “I don’t understand this part, could someone explain it?” Then compliance officers and managers could add their commentary to help people understand the context around a policy. That’s crucial, because a policy existing without context is more likely to be ignored or misunderstood.

## MONITORING

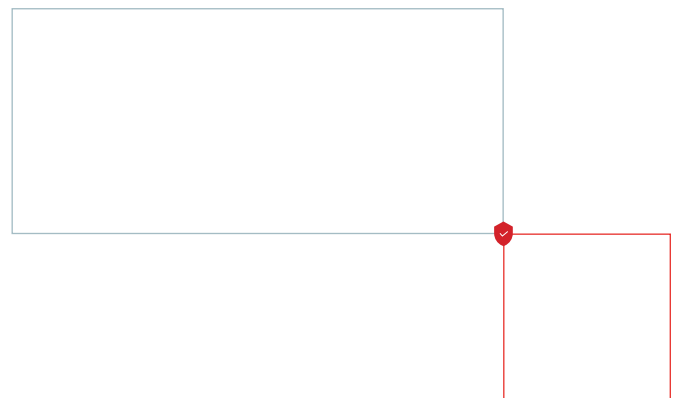
Effective policy management also hinges on an understanding of what is not working well in the compliance program, so compliance officers can revisit policies, procedures, and controls. That means a strong monitoring capability is crucial.

Living metadata, mentioned above, provides some of that monitoring by capturing employee questions as employees ask them. Comprehensive monitoring, however, depends on capturing other types of information that help compliance officers understand what’s really happening, such as:

- ✓ **Calls to internal hotlines**
- ✓ **Instances of problematic transactions, such as payments sent to high-risk third parties before due diligence is complete**
- ✓ **Audits that document control failures**
- ✓ **Updated or new regulations**
- ✓ **Queries from managers about issues that might need policy attention**

Some of that information can be collected in an automate fashion (such as hotline calls and problematic transactions) and built into a dashboard compliance officers use to see policy issues at a glance. Other types might need to be part of a process that compliance officers use for risk assessment: meeting with internal audit to review audits of internal controls or discovery of emerging risks.

Regardless, monitoring is crucial because it provides an awareness of what policies or procedures aren’t working and need attention.



## ENTERPRISE INTEGRATION

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To generate a useful return on the investment, your policy management must be integrated into the rest of the enterprise—specifically, other IT systems. Only then can the company use policy management in a way that is both efficient and responsive to changing conditions.

For example, policy management should be integrated into the company's HR and personnel systems, so the right employees get the right policies at the right time (especially new employees, or employees moving into a new role). Otherwise onboarding new employees will be more of a manual process, matching each person and role to relevant policies. The result: more risk of failure and more cost.

The more policy management is integrated into other enterprise operations, the more efficiently policies can be developed, implemented, and updated; the more seamlessly the whole organization can adapt to new risks that are driving the need for new policies.

## Conclusion

Companies have an immediate need for strong policy management, in that the Justice Department expects it as part of an effective compliance program. (One could even argue that the [seven elements of an effective compliance program according to the U.S. Sentencing Guidelines](#) all hinge on effective policy management.)

Beyond that, however, strong policy management is just good business sense. **The tumult of 2020 has demonstrated time and again that companies must be able to assess, improvise, and formalize policy and procedure—more quickly, and on more subjects.** If compliance officers embrace best practices for policy management, that's possible. The result will be an enterprise better positioned for regulatory compliance risks, and one with a strategic advantage to succeed in turbulent times.

## About Diligent

Diligent builds award-winning, cloud-based security, risk management, compliance and audit software to drive change in some of the world's largest organizations. We're on a mission to unite and strengthen individuals and entire organizations through the integrated HighBond software platform. With more than 6,300 customer organizations in 130 countries, Diligent is connecting teams in many of the Fortune 1000 and S&P 500 companies, and in hundreds of government organizations, banks, manufacturers and healthcare organizations.

Whether these professionals are managing threats, assessing risk, measuring controls, monitoring compliance or expanding assurance coverage, HighBond automates manual tasks, blends organization-wide data, and broadcasts it in easy-to-share dashboards and reports. But we don't just make technology—we provide tools that inspire individuals to achieve great things and do heroic work in the process.

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