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DISREGARD OF COMPANY POLICIES CAN CRIPPLE YOU

When you first hear your colleagues discussing the need to draft or revisit a company policy, you may be inclined to think this is a menial task meant to keep someone busy. Nothing could be further from the truth. In fact, a company's policies -- particularly its key policies -- are critical documents that generally describe the intentions of the company, and they set the manner and principles to which the company will govern its actions in achieving its goals.

That said, the company's key policies are meant to provide the necessary guides to formulate the company's strategy and plans, whilst ensuring that it complies with its statutory documents, the respective legislation and its long term objectives. Clearly, as the success of a company often depends upon a good strategy, one must therefore not lose sight of the fact that both the strategy and the company's policies, which have a symbiotic relationship, are an evolving process. Most often when companies are first established, eager policy writers may produce a policy that sets for example the manner in which the company and its employees will manage its ethical behaviour. Yet somehow, notwithstanding the company's initial great intentions, things can go horribly wrong for some of the following key reasons:

- the policy is either not in place, updated or agreed to by the company's main stakeholders (i.e. shareholders, directors, managers, employees, suppliers and customers); or
- the policy is not aligned to the company's vision, ethos or strategy; or
- the policy is not visible, neither understood or practiced; or
- the policy does not encompass legal and/or industry benchmarks or practices, and finally;
- the policy is in conflict with changes in legislation.

Of course there is an irony when the company commits itself to producing its key policies, but allocates an inadequate person (or process) to fulfilling the function of not only producing and maintaining the policies, but more so ensuring that there is a functional balance and alignment of these policies to the critical missions of the company. Needless to say, there are countless examples of failed organisations, who have seen their demise as a result of poorly governed policies and the procedures that flow from these crucial documents.

It is therefore critical that company's and their leadership take full responsibility to ensure that their key policies are in place and effectively being applied within its operating structures. Equally important to understand is the fact that policies are specifically designed to suit a specific set of criteria which is relevant to the nature of the company, its stakeholders and its operating environment. For example, the policy for a dress code in a financial services industry cannot in all reasonableness be expected in a mining or manufacturing environment. Yet so often -- and probably due to ignorance or even laziness -- people who have been tasked to produce a company's key policies, may have no problem 'borrowing' say a sexual harassment policy from a vastly different industry sector, and by modifying a few of its sections believe it will be suitable in their own environment.

Policy and policy formulation should therefore be a key area of focus for the executive leadership of any organisation. Its formulation must be done on a consultative basis, more particularly as companies will be expected to improve their stakeholder relationships and its integrated reporting.

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There is no doubt that a well constructed, and relevant policy can bring many advantages to a company, some of these being that:

- there is a documented process which governs the behaviour of the company and all its employees in an equal manner;
- through the policy, there are agreed values, objectives and participatory practices;
- the goals to attain the objectives are clear, or in the case of certain behaviours, that they are defined between that which is considered good or poor behaviour;
- there is consensus regarding the manner in which the company will set its priorities, and then meet them;
- there are clear guidelines which define the roles of authority, delegation and where the boundaries of accountability and responsibility lie;
- through the implementation and monitoring of the company's policies, the organisation will experience an improved level of service or customer satisfaction;
- there is a greater alignment of the company's value and its purpose towards civil society, target groups and other stakeholders.

Of course with the continued bombardment of additional legislation in South Africa -- with an average of six new acts each month over the last ten years -- companies need to question whether their policies adequately reflect the changing legislative, regulatory and business landscape. If this response is in the negative, then the question arises not only regarding the company's state of legal compliance, but indeed also its ability to comply?

The consequences of failing to give the necessary attention to a company's statutory documents and its key policies could be dire. If the company's documents are in conflict with, for example, the new Companies Act or the Consumer Protection Act, decisions made by the board could be rendered null and void. This in turn could lead to personal liability on the part of the directors and/or officers of the company. In addition, there could be unintended consequences for a company that does not ensure that these documents are aligned to the changes in legislation that govern it. This is particularly pertinent to the new Companies Act, where certain classes of companies that do not amend their statutory documents -- to bring them into line with the new requirements -- will have their status changed by default. This will lead to unintended tax and other consequences which could be disastrous.

As company officers charged with the fiduciary duty to serve and protect the company, directors and managers would well be advised to reconsider their views and participation in their company's policies, charters and terms of reference documents, rather than to relegate this critical task to their junior counterparts. Ignore these key policies and other statutory documents at your peril.

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