

## **The Five Stages of the Policy-Making Process**

Clear, well-written policies are essential for running a successful and profitable small business. While specific policy directives depend on the topic, such as compliance, safety or internal control, virtually every business policy goes through five main development stages. Each stage provides a measure of guidance that work together to improve productivity and strengthen your bottom line.

### **Identify Policy Objectives**

Effective policies answer a question or solve an ongoing business problem. For these reasons, identifying questions or issues your business should address is the first stage of policy creation. Most often, questions and issues arise from and link to long-term business objectives. In the same way, business objectives arise from and link to your vision and mission statement. Ideas for creating effective business policies come from goals such as innovation, providing outstanding customer service and complying with government regulations. Policies that focus on finances arise from profit maximization, cost minimization and internal control objectives.

### **Policy Formation**

During the policy formation stage, you strategize about how to address unresolved questions or issues. Brainstorming is common during policy formation, as most issues have more than one potential solution. For example, if you are developing a policy statement regarding smoking in the workplace, you might base the policy strictly on state-mandated regulations. However, if you feel state regulations don't fully address goals in your business vision, you might decide to address the issue by following state guidelines but also making the policy more restrictive.

### **Adopting the Best Solution**

In many small businesses, decisions about which potential solution best addresses business needs comes directly from the business owner. In larger businesses, policy adoption procedures may follow a more democratic process. For example, businesses with a board of directors most often require a majority of the board to approve new policies by casting votes. If the majority doesn't agree, the proposed policy goes back to the formation stage.

### **Implementing Business Policies**

While the first three stages of policy-making focus on "what," the fourth stage focuses on publicizing the policy and making it work. This stage consists of creating policy statements with clear parameters, including whom the policy applies to, the

circumstances under which policy statements and directives apply and important conditions or restrictions. For example, a policy about smoking in the workplace should cite any government regulations and address concerns you may have about the health of your employees. Parameters should clearly identify whether the policy applies to all or only certain areas of the workplace.

### **Evaluating Policy Directives**

The final stage of policy-making process involves an ongoing evaluation. This stage is especially vital, with policies that focus on complying with government regulations. The evaluation stage ensures policies are up to date and continue to reflect long-term business goals. When a review determines a policy is proving ineffective, or if regulatory or business standards change, the business owner or decision-making team determines whether changing the existing policy or creating an entirely new policy is the best solution.