

# Sample Company

## PROCEDURES MANUAL

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## **Introduction**

This Procedures Manual is prepared for Sample Company (the “Company”).

The purpose of this manual is to define policies and procedures for the Company to operate in an efficient and effective manner. The Company strives to facilitate an environment which balances the controls needed to properly manage the Company with the flexibility and autonomy needed by departments and individuals to perform their jobs effectively and efficiently.

The Company understands the value of a clearly defined organizational structure to achieve an effective decision-making process. The manual is based on a corporate hierarchy in which vision and the goals of the strategic plan are communicated down the organizational chart, through the department manager to the individual employee. The manager is responsible for defining the employee’s goals and to regularly review the employee’s status and progress, which are linked to the execution of the strategic plan.

### ***Distribution***

This procedures manual will be distributed to department managers and others at the discretion of the CEO. Specific procedures that apply throughout the company will be distributed to employees.

The COO is responsible for the distribution and explanation of the procedure’s manual. This may involve a general meeting or individual meetings at which the underlying specific procedures and reporting requirements are explained at the management level. The department manager is responsible for the distribution and explanation of the procedures to their departments.

## **Culture and beliefs**

### ***Our mission***

To produce quality innovative products that help people improve their lifestyle choices.

### ***Transition and balance***

As we journey from a start-up venture towards a mature enterprise, we seek to maintain the flexibility and innovation of the start-up culture while benefitting from the stability and planning culture of a profitable and growing organization.

### ***Our management philosophy***

This procedures manual is based on the management philosophy and values of the Company.

People are our most important asset and competitive advantage. We seek to define goals rather than tasks and to unleash creativity and growth within a learning environment that creates a win-win situation for all. We look for people with the skill sets to succeed and, as importantly, we want people with drive, passion and persistence, who can work as part of a dynamic team in a challenging environment – attitude counts and it overcomes obstacles. The role of management is to empower each department and every employee by setting goals, defining timeframes, providing resources, and then allowing the employees and departments to figure out the best way to achieve those goals. Responsibility rests on the shoulders of the departments and the individual employee and the success, or failure, is theirs.

### ***Our work and stepping-stones to success***

- Communication, teamwork, transparency, and respect
- Discipline to execute coupled with passion and persistence
- Curiosity to seek, combined with the willingness to challenge and pursue paradigm change in pursuit of excellence
- A culture of technology that fosters quality, consistency, and improvement in all that we do and for the sake of all stakeholders

### ***Our management***

- *Commitment to our managers*
  - You will receive support to achieve success in execution of the strategic plan
  - Initiative, creativity, and value creation will be recognized
  - Senior management will work through you and not around you
- *Expectations from our managers*
  - Set a personal example.
  - Inspire others
  - Work to develop your department and its employees. Define goals, provide resources, and oversee progress while letting the employees use their creativity and initiative to find the best ways to succeed.
  - Connect your actions and those of your department to the Company's strategic plan. Communicate the strategic plan to your direct reports and attain their buy-in to the change process and goals of the Company.
  - Collaborate with other departments for the best interests of the Company.

### ***Our Employees***

- *Commitment to our employees*
  - Employees will be treated with respect and in an honest and fair manner.
  - Employees will be able to understand their responsibilities in a clear and concise manner and the definition of “success” for their role in the company. This will be accomplished through the use of formal job descriptions and initial and on-going periodic discussions and reviews with their manager.

- Employees will be empowered and encouraged to add value through creativity, innovation, collaboration and presenting new ideas and challenging old ones, within a learning environment that will foster growth.
- *Expectations from our employees*
  - To work to the best of their ability to further the interests of the Company
  - To produce consistent quality work
  - To persistently try to grow and achieve
  - To work with others for the advancement of their department and of the Company
  - To act with integrity and use their best judgment in all situations
- *We want our employees to:*
  - View their job as an adventure
  - Understand the connection of their position and department to the strategic plan of the Company and see their job as critical to the plan's success.
  - Understand how decisions are made in the Company
  - Know how to get things done within the Company

## **Planning**

### ***Decision making process***

*You can't manage what you don't measure!*

The decision-making process at all levels of the Company – making decisions, communicating decisions and implementing decisions – is critical to the Company's success.

- Decisions will be made based on proper analysis of issues, gathering, and quantifying relevant data, its value to support the Company's strategic plan, its cost versus benefit analysis and expected return on investment.
- Decisions will be communicated (and over-communicated) in order to achieve buy-in across the company and additional employee understanding of the Company's strategic plan.
- Decisions will be implemented thoughtfully – efficiently and effectively – in order to do it once and do it right.

### ***Strategic Planning***

The strategic plan reflects the vision and mission of the Company, encompasses the Company's values, priorities and culture, and serves as the common tool that connects people and activities across the organization, allows top-down vision and bottom-up input, and serves as a baseline to which progress can be evaluated and effective decisions can be formulated.

A complete strategic plan will be prepared periodically and tweaked/enhanced over time. Updated strategic plans will be presented to the board of directors for their discussion and approval. The strategic plan will be based on market and other research to understand trends, opportunities and constraints in areas that include the markets, competition, technology, procurement, labor, the general economy, and the regulatory environment.

The CEO is responsible for managing the preparation of the Company's strategic plan, to communicate the plan to department heads and to ensure that employees throughout the Company fully understand the plan and their individual role in advancing the plan to success.

### ***Budget and Planning Process***

An annual budget based on the Company's strategic plan will be prepared prior to the beginning of each year and approved by the Board of Directors, as per the following timeline. The budget will be top-down in terms of reflecting and supporting the Company's strategic plan and bottom-up in terms of preparation and in-put at the department level and buy-in from the department managers. Department managers will be responsible to communicate the budgeting plan to their departments and this effort will be aided by company-wide meetings and communications whose purpose will be to help in employee understanding, buy-in and commitment to their departments budget and their role in helping the Company successfully execute the strategic plan.

The Management Steering Committee (see definition further on) will provide guidelines for department managers to use in preparing their material for the budget. The Finance Department will lead the preparation effort, work with department heads, and prepare the actual budget documents. The draft budget will be distributed to the Management Steering Committee and to department managers for feedback and approval. It will then be submitted to the Board of Directors for discussion and formal approval.

The budget package will include:

- Analysis of past results, current sales and expenses, and future expectations related to the strategic plan.
- A summary of performance indicators (dollars and other) to be used in evaluating performance over time.
- Profit and loss statement, balance sheet and cash-flows statements with notes in the format of the published financial statements.
- Detailed department level report showing allocations of relevant expenses by department. On a department level, expenses will be split into three categories:
  - Product related (variable) expenses, including purchases and change in inventory level, shipping (freight-in and freight-out), credit card fees and affiliate payments.
  - Department core expenses including salaries and related expenses, contract labor, travel, rent and maintenance, car expenses, communications, depreciation expense, office expense and other.
  - Contracted expenses including advertising, professional fees, labs and testing, and liability insurance
- Capital expenditures such as fixed assets will be reflected in the budget and purchases during the year will be according to the approved budgeted amounts.

During the year, the Finance Department will prepare monthly reports showing the actual results vs. budgeted amounts per department for that month and year to date. To the extent possible the budget reports will also include relevant performance indicators (dollars and non-dollars) in order to maximize performance tracking and analysis.

Significant changes affecting the originally budgeted numbers (such as market conditions, production capabilities...) will be noted in the monthly reports and if warranted then budget updates will be created. After completion of the ERP implementation the idea of a rolling budget (where after each month or quarter you add a new month or quarter on to the end of the budget period so that you always have a longer-term picture) will be considered.



*Budget preparation schedule*

Prior to:	Who	What
Sep 30	Management Steering Committee	Provide guidelines for department managers to use in preparing budget material
Sep 30	Finance Department	Prepare templates to be used by departments
Oct 31	Department Managers	Prepare department level budgets and special needs requests and submit package to Finance Department  Support during budget preparation process to be provided by the Finance Department
Nov 15	Finance Department	Consolidate and prepare draft budget  Highlight and communicate issues to be addressed, explained or changed by department managers, and work with department managers to complete departmental budgets  Distribute draft budget for review by department managers and Management Steering Committee
Nov 30	Finance Department	Distribute updated version of draft budget, reflecting feedback received, to department managers and Management Steering Committee
Dec 5	Management Steering Committee	Approve budget  Distribute budget to board of directors
Dec 15	CEO	Present budget to board of directors for formal approval  Distribute approved budget to department managers

The CEO will present the Company’s strategic vision and plan at a company-wide meeting sometime during the budget preparation process. The CEO can decide whether to hold the meeting at an early stage in order to communicate the general guidelines of the Company’s visions and goals or at a later stage in order to emphasize the specific budget considerations and constraints.

***Staffing***

Part of the budget and planning process is a review of the staffing needs of each department. The goal is for each department to have sufficient staffing while ensuring that every employee is fully engaged and adding the expected value, and that there is no “hidden unemployment” caused by changes in department circumstances.

### ***Organizational chart***

The COO is responsible for periodically updating the organizational chart and presenting it to the Management Steering Committee for discussion and approval.

### ***Management Reporting***

#### ***Monthly reporting package***

The monthly (and quarterly/annual) reporting package will consist of the following:

- Balance sheet, profit and loss and cash-flow statements with notes in the financial statement format – for the current month, year to date and a comparison vs. budget.
- Department level reports of actual vs. budget amounts for the reporting month and year to date showing variances in dollars and percentages.
- Summary of key performance indicators/dashboards linked to key business drivers and the Company’s strategic plan.
- An analysis of the performance, significant events and trends, and issues reflected in the reports for management discussion

#### ***Distribution***

- The full reporting package will be distributed to the Management Steering Committee and to members of the Board of Directors.
- Department managers will receive reports concerning their departments
- The Management Steering Committee will decide on other distributions of the material

#### ***Departmental level reporting***

Each department manager is responsible to send a weekly written update by e-mail to the Management Steering Committee of issues of concern. Other departmental reports to be prepared are listed in the “Departments” section of this manual

### ***Meetings***

Meetings are important in the proper management of the Company. Meetings should not be over-used and they should not be under-used. Meetings should be run efficiently and the cost of a meeting in terms of time invested should be considered

Meetings require:

- A written agenda sent to the participants in advance
- The agenda should list the time allotted (start-time and end-time) for each agenda item
- Meetings should start on time, no matter what. For an effective meeting and out of respect for others the meeting should start on time, end on time and not go off on tangents.

- A written summary to be sent out after the meeting. The summary should be brief and focus on action items. The meeting leader may delegate the role of the person taking notes and sending out the summary.

To consider:

- An effective meeting is participatory and should not drag on. Computers and cell phones can distract participants.

### ***Risk management***

Risk management responsibilities include the following:

Financial aspects, managed by the CFO, including:

- Insurance policies and coverage. The company will maintain the following policies:
  - Product liability coverage
  - Officers and directors insurance
  - Office and warehouse insurance
- Exchange rate exposure
  - Current gains and losses from exchange rate transactions
  - Projections and consideration of hedging to mitigate financial effects

Operational aspects, managed by the COO, including:

- Analysis and capabilities of the operating departments using summaries and tools such as a SWOT (strengths, weaknesses, opportunities and threats) analysis
- Strategic opportunities and risks

Legal aspects, managed by the Legal and Compliance Department, including:

- Specific and potential legal exposures

Disaster recovery and business continuity plans, managed by the COO, including:

- Creating and managing a recovery plan that minimizes interruptions to core activities and which includes:
  - IT resources and solutions
  - Finance/payments solutions
  - Safekeeping of assets – inventory and other
  - Customer service solutions

The COO is responsible to:

- Provide a copy of the plan and periodically discuss the plan with the Management Steering Committee, and not less than twice a year.
- Communicate with relevant departments and employees
- Communicate the plan across the Company

A discussion of risk management will be held by the:

- Management Steering Committee at least twice a year
- Board of Directors at least once a year

## **End of Sample Section**