



Business Procedure Guide

Corporate Governance for Micro, Small and
Medium Sized Enterprises (MSMEs)

Part of the Pearl Initiative's
Corporate Governance Fundamentals



Business Procedure Guide

A business procedure is a standardised document that describes the details of a procedure for the execution of routine activities within a business. It includes relevant and specific criteria and references to inform employees and stakeholders as to the business rules, standards, or regulations, so to ensure efficient execution and consistent outcomes.

How to Use this Document

This guide is part of Pearl Initiative's Corporate Governance in MSMEs programme. The goal of the programme is to provide the Micro, Small and Medium Sized Enterprises (MSME) community with tools and references that will support them implement practical and effective corporate governance capabilities commensurate with their specific internal requirements. Structured and cost-effective internal corporate governance capabilities will often enhance the efficiency, productivity, and resilience, of any business and allow leadership to maintain control yet focus on key business requirements such as strategy and growth.

We recommend that each business adopting this template independently evaluates and adjusts specific details in line with their business, operational, strategic and industry needs.

For more information on this programme please visit: www.pearlinitiative.org.



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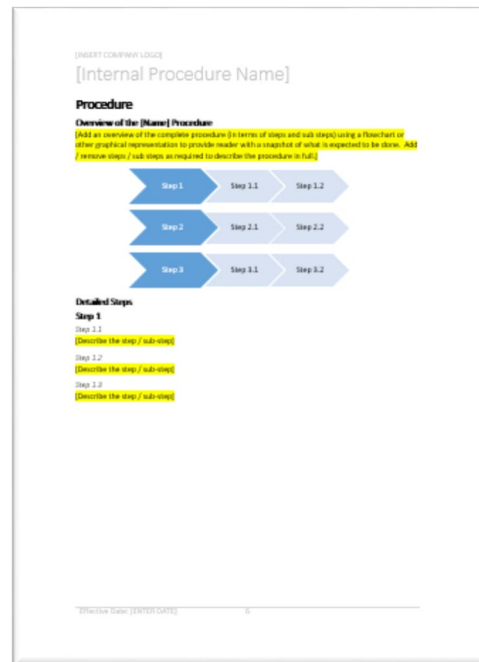
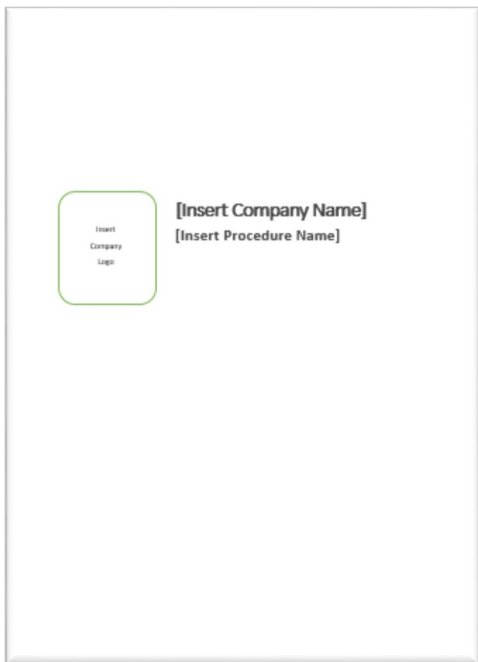
The Business Procedure Template

Documented business procedures provide guidance and direction on how specific tasks and actions are to be implemented within a business. It remains an ultimate guidance to working teams on what needs to be done and how and forms the basis against which a business can continually evaluate and enhance their productivity and efficiency.

Ideally, all activities within a business should have a clearly defined procedure in place. However, in the absence of pre-existing procedures, a business should initially prioritise the most crucial activities they perform (i.e. those generating revenue, are exposed to the most risk, are critical to the business mission, etc.) when deciding what procedures to document first.



Scan, tap or click on the QR Code to the right to download a free copy of the Pearl Initiative Business Procedure Template.





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Instructions

The initial stage of developing internal procedures is to identify and understand what the critical functions within the business are (i.e. those critical to achieve business objectives, which are exposed to the most risk, and which have a direct association with revenue generation). In doing so, the business can be better positioned to objectively understand where to start.

The following tips are intended to provide guidance on proven methods of establishing an effective business procedure.

- **Use flowcharts to help illustrate the procedure**
Supplement the procedures with flow charts (to allow the reader to see/understand the bigger picture) and then break it up into logical pieces that contain the granular details.
- **Include checklists to support implementation**
Use checklists as a simple tool to ensure that every required step, piece of information, or other task associated with the procedure is completed at the right stage of the process.
- **Leverage graphics and icons to make it easier to read**
Leverage visual aids to make sure the reader easily understands what is required. Graphics and icons can better illustrate a point (instead of describing it in lengthy text) and can highlight key aspects critical to the process.
- **Use short and concise sentences**
Use short and concise sentences, as procedures are often better when they are short. Lengthy procedures are hard to digest while shorter procedures (with short, succinct explanations, bullet points, headings, images, and even the checklists, graphics, and flow diagrams) are more effective than long and wordy documents.
- **Involve implementers in the development**
When individuals with a lot of experience write procedures, they sometimes inadvertently leave out steps because they inherently have an extensive understanding of the process. However, not all readers will have the same level of experience. Having the procedure reviewed by implementers (or even someone completely independent) will often generate valuable feedback that will ultimately help roll out a more effective procedure.
- **Layer procedures so it's easier to follow**
There are main steps and sub-steps within any given process. Layering procedures by starting with the main steps and subsequently expanding into the sub-steps, will lead to a clearer procedure being documented, and later implemented, within the business.
- **Communicate the rationale for specific steps and controls**
When rolling out a procedure, make sure all stakeholders understand why specific steps are important and what the underlying issues are. In doing so, if individuals are required to make a judgement call, they have a better understanding of the underlying reason for the step(s), which would increase the probability that the correct decision is made.



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Incorporating Auditable Controls

A critical success factor of an effective and resilient procedure is the introduction of simple and auditable controls to ensure that the effectiveness of the control can be objectively and independently audited to provide business owners with assurance that their business is operating effectively. The below are some examples of controls that can be incorporated into the internal procedures of a business.

The below are some examples of common controls that are adopted by businesses of all sizes.

Financial Controls

- Ensure that any cycles of money involve more than one person to create effective checks and balance. This procedure increases accountability and transparency and reduces the risks of fraud and/or theft.
- Perform extensive background checks on any personnel (including contractors) who will be expected to handle your business' financials. Check their references, and if possible, run a legal/police check on them to eliminate people with undesirable financial histories.
- Reduce the amount of liquid cash used by your business to reduce the likelihood of theft and/or fraud. Ensure that stringent protocols are in place when liquid cash is taken out or put into your systems. Additionally, you may replace your petty/liquid cash with an internal reimbursement system, ensure all collected cash is immediately deposited (with two persons involved in the money flow), and opt for machines that accept only credit or debit cards over cash.
- Ensure your operating account has the right amount of money, while the rest is set aside in a separate account with greater financial controls. This reduces financial risks through exposure while maintaining safe amounts are available for daily operations.
- Create a Delegation of Authority that corresponds to financial authority and permissions within your business. For example, any purchases above a certain amount can be made only with managerial permission. This ensures that there is a process tracking who is utilizing business finances, and how, thus reducing risks.
- Create formal policies that detail permissions related to refunds and returns and allocate powers to trusted employees for these transactions.
- Create and implement safety protocols for handling internal financial information as well as external finances, such as customer/stakeholder information. These protocols can include the regular changing of passwords, and single-access cabinets and file system.
- Create and implement financing systems tailored for your business. Such a system could include financial reports per department, expense reports, and regulations surrounding what your business will expense. Ask for receipts against all expenses being claimed, and get personnel verification (such as a dated signature) for every transaction filed in the system
- Study your business, its teams, and its financials to get a clearer idea of what is regular and normal in order to understand what needs to be addressed. Keep track of sales, transactions, margins, and financial ratios over a period to spot discrepancies which may indicate a problem has arisen.



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Operational Controls

- Create operating budgets for internal approval and manage all expenses within it.
- Create stakeholder and client accountability through operational procedures and checklists for all deliverables.
- Track client feedback with surveys, questionnaires, and forms.

Marketing Controls

- Create and utilize a marketing calendar that includes all the important dates and deadlines to keep your projects on track.
- Implement scorecards for essential marketing metrics, such as cost per sale, number of clicks and hits, and other trackable indicators.
- Create an approval process for all marketing plans, inputs, and resources to save both time and financial resources and to speed up content delivery.
- Create a standardized checklist for teams to follow for campaigns and events to ensure standardized procedures and trackable outputs.

Sales Controls

- Set ground rules on negotiating limits your staff must follow when working with clients and/or stakeholders. This includes concessions, sale limits, discounts, or credits that can be given by staff.
- For sales exceptions, establish a chain of command and authority so that any amounts outside pre-set parameters is accounted for. An example could be verbal versus written approvals from a manager on certain amounts of discounts.
- Insist upon standardized, legal paperwork and contracts across your business.
- Create a suitable, targeted sales script for your team to use as and when needed.
- Ensure the safety of your clients' data and enforce security measures as per the proprietary nature of your client list. Divide the list between your staff so that no one has more data than they really require.
- Insist upon only company-related information, such as email addresses and phone numbers, to be used in official transactions. Do not permit personnel to provide or use any personal contact information for business purposes.
- Create a transparent line of communication to elicit honest client feedback, which simultaneously prevents personnel from removing any negative feedback.
- Keep track of all relevant sales records and metrics, including return rates, retention ratios, and referral scores.