

# About Policy Matters!

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# POLICY MATTERS:

## Why YOUR Company Needs a Policy Manual

### Why Are Policy Manuals Needed?

A company policy manual may be required by your state's real estate licensing body. Some states also provide a list of topics to be covered in the manual, some do not. Some states list only topics related to state laws and regulations, but do not object if brokers wish to add "housekeeping" sections to their manuals.

Some brokers make mandated policies in one section and have another section for company-specific "housekeeping" policies such as who pays for signs and advertising, etc.

On the other hand, some states have no requirement regarding company policy manuals. If the state doesn't require one, why would a broker go to the time and expense of developing one?

A company policy manual will not guarantee that managers use zero time giving directions to employees. Nor will it ensure that management will not physically, emotionally or sexually abuse employees. It will certainly not give immunity from lawsuits.

What a well-developed and uniformly enforced policy manual **will** do is to communicate to management and employees the procedures for conducting normal daily business and for handling extraordinary situations that may arise.

Perhaps your company is very small indeed, possibly consisting of only you, your spouse and a receptionist/secretary. Even if you can guarantee that your company will never grow beyond that size, the employment of even a single person places your company in need of a policy manual.

The obligations of an employer to his employee under the labor laws are specific, and small companies who hire relatively few employees are not exempt from all of them.

Perhaps the single most important feature of any policy manual is that it is *written*. By their very nature, written statements of a policy are more permanent than spoken statements.

- Written policy statements can be reviewed a number of times by managers who want to be sure that they have clearly stated the attitudes and behaviors they expect of employees and independent contractors.
- A written policy statement can be re-read by employees and independent contractors until the meaning of the policy comes clear.
- Written policy statements can be drafted in respectful language that will indicate the respect management will show to employees and independent contractors.

If you are the type of owner/manager who can talk about his policies but has trouble putting them on paper, you might want to consider using one of the computer programs that allows you to speak into a microphone while software converts your speech to text.

## **What is the basis for all company policy manuals?**

Policy manuals are basically expanded versions of the company's mission statement that communicate company policies, but also express the company's philosophy, and make explicit the mutual agreements between employees and independent contractors and their employers without being an actual contract.

A company's policy manuals are the way in which the company's business philosophy and direction are clearly and completely communicated to new associates and employees.

The plural is being used in speaking of these manuals because it may be necessary to have a separate manual for each category of worker in your business. Of course, some of the information will be the same in all of them, but it should be clear that, for instance, vacation time and family leave time will be handled differently for independent contractors than for clerical employees.

When middle management is hired, some terms of their employment will differ from either those for sales associates or clerical employees.

Policy manuals are intended to clearly communicate how situations will be handled whenever they arise in the company.

In other words, the independent contractors or employees will know before they agree to take the job how they can expect management to react to certain statements and/or actions.

Because it is company policy, they are entitled to expect that the same action will be taken regardless of the identity of the individuals involved in a given situation.

When associates/employees sign off on the appropriate company policy manual, they are accepting credit for future good deeds and responsibility for future misdeeds.

The principal job of the policy manual is, in other words, a statement the company's culture and of what a worker should and should not do if he is to comfortably fit into the company.

## **So, why do companies have policy manuals?**

Policy manuals are necessary in today's world to cover the legal requirements made of employers. They also reflect the philosophy of the owner/manager, and the commitment to run the company in accordance with that philosophy.

Workers who read the company policy manual should come away with an understanding of the company's intentions with regard to law and business ethics. Equally as important, most of us can do a better job if we know what we are expected to do, and how we are expected to conduct ourselves while doing it.

When a worker is to be terminated, the company policy manual can be of inestimable value. A worker who has not delivered on all of the provisions agreed upon in his signed acknowledgement of the policy manual is in a very poor position to file an unlawful termination suit against his former employer.

Policy manuals place a burden of responsibility on the shoulders of management as well. Managers who fail to implement an office policy when it will penalize a favored associate or employee are sending a clear message to the remainder of the company's work force that management is weak and can be "handled."

This is particularly a problem in businesses engaged in outside sales because the sales associates are usually expert “handlers.” Once a single drop of management blood hits the water, a feeding frenzy can be expected.

## **Wouldn't it be less dangerous to simply handle each situation as it arises?**

Usually, only strong management can prevent hysteria from spreading throughout a company. Outside sales organizations such as real estate brokerages may be more susceptible to hysterical reaction than most.

Some reasons why it is better to have company policies in place are:

The worst time for anyone to make an income-threatening decision is when he is involved in an emotional confrontation:

- The danger increases geometrically when those involved in the confrontation are professional negotiators, each with an agenda cast in concrete.
- Any decision the manager makes will make one individual happy and another unhappy, but the manager who can cite his policy manual as the decision maker will usually make the loser less unhappy than the manager who simply proclaims a decision.

The manager who sticks with the policy manual has a better chance of keeping the unhappy individual from being so unhappy that he will relocate his earning power to another company.

A company policy manual is particularly valuable when some employees are part of the owner/manager's family. Associates/employees may fear that the owner with no policy manual will always rule in favor of the relative even when there is evidence the relative is clearly in the wrong.

An owner/manager who follows the company policy manual may have a few uncomfortable moments at home or at the next family gathering, but most relatives will eventually accept the fact that a solvent company is more of a lasting benefit to them than winning an argument, getting an office or a single commission.

## **Are there other benefits to having a written company policy manual?**

Developed and written company policies can be a benefit when the owner/manager applies for a business loan. This is particularly true when the new business owner has no established track record as an owner.

The ability to articulate specifically how law and employee-interaction situations will be handled before the doors open for business is an indication to the prospective lender or investor that the new entrepreneur has given thought to the day-to-day management of the company and is capable of finding solutions to problems.

Keep in mind that any policy manual should be reviewed and improved at regular intervals. If a policy developed before the doors opened proves to be either difficult or impossible to enforce, or simply unworkable, the review and improvement process can be used to correct the situation.

NEVER simply ignore a company policy that has proved unworkable. This opens the door to blatant disregard of company policies by managers and workers alike.

Written company policies make it possible for management to be passed from one individual to another without threatening the existing work force.

Parents retire and pass the management function to children or others, a spouse may become disabled and pass the management function to the other spouse, or an owner may simply sell the business.

Any change creates unrest within a work situation. The incoming manager who can point to written company policies that have been in force under the old management is able to offer stability.

In fact, the new management may wish to change certain of the existing policies. If that manager is willing to do so slowly and as the situation warrants action, there will be comparatively little reaction from the work force; if the new manager spends his first month firing off memos contradicting existing policy, he/she can expect unrest within the ranks.

As indicated earlier, development of a policy manual is painstaking, tedious, time consuming and, if an expert is hired, expensive. With that in mind, finding a template that already contains the needed topics and can be added to and deleted from is an excellent shortcut to company management excellence.

The Real Estate Office Policy Manual Template is such a tool. There is a demo on the website, [CarmelStreaterCourses.com](http://CarmelStreaterCourses.com) that allows you to see how it can work for you.

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