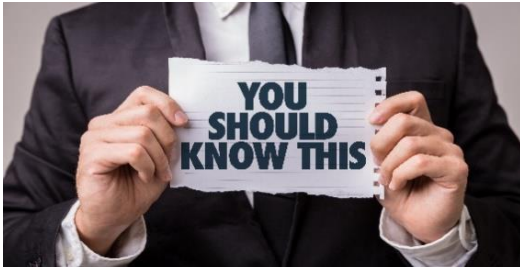




The core of governance is the business rules!

Business rules compose the set of instructions, procedures, and regulations that guide how a company should operate. They can be used to define what actions should be taken in certain situations and, when used effectively, they can prevent certain negative actions from taking place at all! Following rules is also critical to safeguard the efficiency of any organization. Overall, establishing rules and implementing them provide a direction for employees to follow and a general standard for all business procedures. Further, business rules guide the activities of daily business practices, shape important business decisions, and assist in the judgment of what is the best way forward for a firm.



The importance of business rules

When a business has an effective rule system in place, it helps set expectations and provides a standard by which the firm will operate. Business rules also ensure that an organization functions according to national regulatory requirements. Such well-established rules also go far to guarantee job consistency, workplace safety and a reduction in workplace errors.

Effective business rules define business activities, but unproductive ones can restrict them. They should be designed to help a business achieve its goals. Without such clear business rules, there could be a disorganized workplace with unreliable outcomes, poor employee confidence and dissatisfied customers.

Most successful organizations accept a business rule system as an essential requirement to ensure a well-run firm. Business rules are often used to outline how a business will operate efficiently. When business rules are well-thought out and established correctly, they provide proficiency, consistency, regularity, and other benefits. Further, they ensure that the business can continue to advance.

Business rules help a company determine the guiding standards employees are expected to work with; they characterise how the business operates and reflect the corporate ideology.

Moreover, business rules regulate corporate decision-making to enable a company to accomplish its goals. They establish expectations, provide employment performance standards, monitor observance of the rules, and support organizations in computerizing operational procedures.

All in all, business rules are critical because they clarify business objectives and guide business processes. Efficient business rules help maintain consistency across all organization departments. This helps structure operational processes and ensures that all employees are following the same set of procedures.



Significance of behavioral business rules

Behavioral business rules are in place to regulate employee conduct or actions in relation to business activities. Ideally, when effective, such rules should guide workers to do something, to act in a certain way or prevent them from doing something. Further, by establishing such rules, a business is expressing clearly what is permitted and what is not. Moreover, behavioural rules enable a business to operate its daily activities in a way considered appropriate, ideal, or best aligned with business objectives.

It is often difficult to define behavioral rules as behavior is a vast and tricky area. Such regulations could include how employees are expected to interact with colleagues, customer relations, discriminating against others, and the use of appropriate language among coworkers or with clients.

There are common areas that most businesses should cover in their behavioral rule handbook. One of these is dress code during daily operations or at specific times (e.g., a hardhat in dangerous areas); it is imperative that workers know what attire is acceptable and what is not. Another is productivity and work ethic which may involve the performance of the business itself and what and how much employees are expected to do including specific duties.

Behavioral business rules are considered 'people' rules as they concern those operating a business and, as such, can also be violated directly by the same people. Behavioral rules always denote a sense of obligation or prohibition.

Overall, behavioral business rules are vital to safeguard the efficiency of any organization. The implementation of effective rules provides a direction for employees to follow and a general standard for all business procedures. Further, these business rules guide the actions and performance of daily business practices.



How many types of business rule are there? Well, there are many depending on how they are categorized but here are three types:

Implicit or informal rules: These rules will not be found in a rule book or company manual. They are taken as 'common sense' and are thus implicitly understood by all concerned parties. They are usually just a matter of telling staff what to do or what to avoid. Certain compliance regulations may fall under this category. For example, if a company requires staff to be ready to work at their desk by the start of the working day, the staff may just be informed verbally of the seriousness of this matter; it would likely depend on the size of the business and the number of staff. If it can be made clear to staff the importance of punctuality informally, there may be no need for a more formally written rule.

Explicit rules: These business rules are required to be written in the form of instructions or guidelines. Examples could be concerning daily cash withdrawal limits for business purposes, potential discounts for customers on items purchased in large quantities, loan calculations, conducting necessary credit checks on clients and rules

relating to budget approvals, among others.

Procedural rules: These rules direct how someone should do something. Procedural rules detail the preconditions, stages, procedures, or workflow necessities of a business. Many procedural business rules are related to time, e.g., a specific thing must happen before something else. An example could be related to staff training such as when approval for travel requests to a training event must be signed by a manager before employees can register for an event. Another example could be concerning the decision-making chain of command for invoice processing, where amounts on invoices are grouped to define the costs, certain managers can approve or the stages of managerial approval that need to be followed before final authorisation.

And.... A business rule can be further defined as one of three types when considered part of a process:

A coordination rule involves a general requirement that must be met to continue a process. This could include a general statement such as 'a budget request to accounting must include the department's budget code.' Coordination business rules enable a process to move forward without further question. **Qualification/disqualification rules** are used to determine if something/someone should be included or excluded in a procedure. This is like a filtering rule that avoids wasted time and unnecessary work. **Decision rules** are followed when something needs to be assessed and designated the next step. (e.g., approved, rejected, returned for further information).



Create the most effective business rules!

Business rules can be created with the use of special software such as business rules management systems (BRMS). It can store and manage a variety of company-specific details, including those related to finance, policies, procedures, staff allocation and business production.

To decide what a business needs to ensure it is run as efficiently as possible, questions such as the following could first be considered:

- What are the most significant goals that the business needs to accomplish?
- What decisions need to be made to reach business targets?
- How are concerned parties expected to react when faced with these decisions?
- How might concerned parties feel about the company's decision-making process?
- What kind of tools or systems are needed and what procedures are involved?

Now consider the following and write the rules....

1. Define the Scope

This follows up on the previous questions and involves determining which business activities are to be included in the rules, any modifications that need to be made, and how such rules are to be applied and supervised.

2. Set the expectations

This is the second step and includes ensuring that employees fully understand what is required of them and what they can expect from the business in return.

3. Convey expectations

Effective communication includes explaining to staff how a process will work, in addition to creating a system that reports and tracks progress.

4. Measure Progress

Enabling the measurement of progress is vital in the creation of efficient business rules. This could include setting targets and measuring whether the business is meeting them, using statistics such as those involving time or cost.



Make sure everyone understands the rules!

Management should make sure employees know and fully understand the established business rules. Certainly, there should be paper-based rule manuals accessible at all times. However, it is difficult to ensure these books do not just get hidden away or abandoned high on a shelf just to be forgotten. A survey (2014) by GuideSpark concluded that 43% of millennial employees had read little or none of their employee handbooks. Over a third of workers did not even know where the books were!

Employees need immediate access to company rules, policies and procedures at all times and it can be problematic if this is not the case. If workers are unable to refer to the manual when required, how are they to know the correct rules and procedures to follow?

The solution is to use a policy or rule management software which ensures that the detailed business rules are available to all staff members whenever necessary. Ideally, employees should be able to access business rules and procedures from anywhere using a desktop computer, laptop, or mobile

device. A convenient keyword search can locate the rule they need to retrieve. Ultimately, when the business rule book is always at hand, this takes away the need to memorize rules and procedural steps, guaranteeing more effective implementation of regulations in general. It is vital to have all formal and procedural business rules detailed in the rule handbook and discussed with employees. Further, staff members should sign the handbook verifying that they have read and understood the rules and consequences if any rule is violated (see section on *Right, now enforce the rules!*)

Implement training workshops

Ensuring employees read and understand rules, policies and procedures is the first step towards guaranteeing compliance, but there also needs to be training workshops for more thorough explanation. Such sessions would enable employees to understand a business rule more clearly or learn how to put it into practice.

Organizations need to train staff on basic business activities and related business rules as well as on how to perform actual business procedures according to the procedural rules. Undoubtedly, employees who receive formal training regarding the running of the business they work for, are more productive and efficient.

Additionally, when training is simplified and thoroughly explained, employees will be better equipped to follow existing rules, policies, and procedures.



Right, now enforce the rules!

The potential violation of a business rule means two important questions for each rule must be discussed:

1. How *rigorously* should the rule be applied?
2. How should the rule be enforced-what response to the violation is most suitable? Such responses may justify sanctions involving reactive procedures, human mediation, or another form of penalty.

Levels of enforcement of business rules:

Strict enforcement – This involves the violation of a behavioural rule for which there is a definite sanction

Deferred enforcement – Although this behavioural rule is considered strict, its enforcement may be delayed until a more suitable time, e.g., while waiting for replacement skilled staff

Overrule of enforcement – The behavioural rule is first enforced but then overruled by someone who has been previously authorised to do so. Similarly, it could be waived following a valid explanation.

Suggested response – This is when a violation is minor and requires a response in light of the severity of the action

Suggested penalties for violation of a business rule depending on its severity

First formal action concerning misconduct: In cases of misconduct or disregarding a business rule, an employee could be issued with a written warning describing the wrongdoing and the change in behaviour required. The warning should also inform the worker that a final more formal written warning may be considered if the behaviour is repeated. A record of the warning should be kept for a certain time only.

Final written warning: For an employee with an existing warning about previous misconduct relating to ignoring a business rule or an action affecting performance then further wrongdoing may necessitate a final written warning. Further, some 'first offence' actions that are considered sufficiently serious may also require a 'final' written warning. Such a warning would normally remain valid for a certain period, and state that repeated disregard of rules may lead to dismissal.

Dismissal: If an employee has received a final written warning, further misconduct of a similar nature may warrant dismissal. Whether the dismissal is with or without notice should depend of course on the severity of the violation. However, the employment contract may allow for different disciplinary action instead. This may include suspension without pay, demotion or a drop in salary. Such penalties may only be implemented if stated in the employee's contract. It should be explicitly understood that employees should only be dismissed if, despite the prerequisite warnings, conduct or performance does not improve to the required level and in the specified time period.



Penalties really work!

Rules and regulations are established to protect businesses and consumers and also to keep everyone safe. When rules are disobeyed, there should be consequences. Furthermore, when the business concerns the wider public, this could also involve legal penalties.

There is evidence that punishments when enforced are effective! For example, when considering the speeding situation in Saudi Arabia in the five years prior to 2000, there had been around two million traffic accidents caused through speeding. 30,000 people had been killed and 177,000 injured. However, in 2005 after enforcing the rule that speeding by over 50 km/h would mean a fine of 1,500 to 2,000 riyals, the number of accidents drastically increased at a rate of 55.8%! The United Arab Emirates have also previously enforced fines on those committing traffic violations with similar results.

Singapore, in the year 1992, cracked down on smoking in public places, issuing fines from 300 to 700 dollars to anyone smoking or spitting in the street. This has since had an amazing impact with Singapore ranked the cleanest Asian country in 2001

Despite these examples being national laws, they are still considered business rules, albeit on a much wider scale. Indeed, a country is run and managed like a business and its success depends a lot on its business rules (laws).

The popular business and finance magazine, Forbes, recommends adhering rigidly to business rules and author, Eric T. Wagner recommends 10 most effective business rules in his Forbes article, “10 Rules To Build A Wildly Successful Business” (Wagner, 2014) ¹

<https://www.forbes.com/sites/ericwagner/2014/01/14/10-rules-to-build-a-wildly-successful-business/?sh=22d534b51b96>

More recently, Jacob Engel also wrote a very useful article entitled ‘Five Rules Of Business That Stand The Test Of Time’ proving the importance of business rules yet again in the significant Forbes magazine (Engel, 2019)²

<https://www.forbes.com/sites/forbescouncil/2019/03/26/business-rules-my-father-taught-me/?sh=96129707c10f>

This is all well and good, but this again raises the questions: How can the rules be enforced? And how severely should violations be punished?

References

¹Wagner, E. T. (2014) ‘10 Rules To Build A wildly Successful Business’ in Forbes. Integrated Whale Media Investments

²Engel, J. (2019) ‘Five Rules Of Business That Stand The Test Of Time’ in Forbes. Integrated Whale Media Investments



Thank You



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