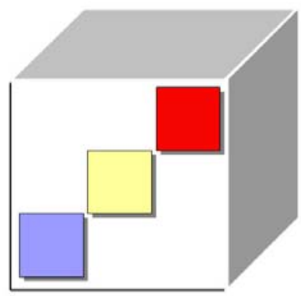
SMART Communications

How Standardized and Prioritized Communications Can Help Drive Performance and Compliance



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In this Article

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It seems that EVERYTHING (pet projects included) is now driven or justified by the existence of the Sarbanes-Oxley (SOX) Act. Here, I'll make the case that one of the most fundamental requirements in every organization and every SOX Implementation, which is communicating periodic status in the form of weekly or bi-weekly status reports, is no exception. This function is considered basic "blocking and tackling", and as such, has been largely ignored as an area for improving organizational performance and compliance. Here, I'll provide some recommendations on how to improve periodic communications that will do two things: First, provide benefits to SOX Implementation Leaders and executives, and secondly, improve organizational performance and compliance across the enterprise. In doing so, I'm suggesting that perhaps it's time to rethink your current methods and to give this critical function more attention and priority.

Today's Business Environment

Executives face extraordinary challenges in today's business environment. With the advent of the Sarbanes-Oxley Act of 2002, CEOs and CFOs of public companies are required to personally certify that their financial statements do not contain material errors or omissions. In addition, they must certify that they have sufficient internal controls in-place (to avoid WorldCom and Enron-like debacles). Under the best of conditions, achieving this objective is a formidable challenge. For large, fast-moving, or decentralized organizations, the objective is daunting.

Although the Sarbanes-Oxley Act is primarily germane to public companies, executives of many privately-held businesses and not-for-profit organizations are also realizing the importance of fulfilling the principles embodied in the Act. In essence, increasing financial transparency and accountability has become an essential objective for executives everywhere.

An Ongoing Enterprise Challenge

Driven by Section 404 of SOX, companies are spending significant capital on evaluating their internal controls, identifying "control gaps", developing and testing remedies, and documenting test results. These activities are not just contained to a company's finance and accounting group, but rather, are cross-functional and include representatives from across the enterprise, to include the business leadership team, marketing, legal, and technology organizations. Once a public company (with their auditors) attains SOX compliance, it can be said that they are not at the end, or the beginning of the end, but rather the end of the beginning. This reality necessitates an <u>ongoing</u>, <u>enterprise-level</u> communication capability to stay abreast of all key organizational initiatives and issues that could have a bearing on financial transparency and accountability.

Responding to the Challenge

A SMART communication system begins with a tasking system, which is the foundation for establishing accountability and subsequent communications. A tasking system (preferably integrated with a reporting system) should be capable of capturing and communicating an enterprise's entire set of SOX and non-SOX related checklist items, action items, projects, management tasks, etc., so that an individual knows exactly what he or she is responsible for. Unless a work assignment has been properly defined and communicated to the individual responsible for it, there's little hope that an executive will receive the required and expected communications surrounding that assignment.

Five Attributes of SMART Communications
In order for communications to be **SMART**, they should be standardized so that they are: **S**uccinct, **M**easurable, **A**ctionable, **R**elevant, and **T**ime-Based.

1) Succinct – Here, less is more. Writing succinct communications requires effort, in essence assessing whether portions of the communication are superfluous or tangential to the key point. It also requires a bit of emotional separation from the topic of communication. Often times, individuals who have invested a lot in a project or task feel that it's important for their manager to have an appreciation for that, and slip into "activity reporting", writing and submitting a mini-journal of their activities. However, this kind of reasoning clutters communications, and ultimately works against an individual, as the manager can develop a perception that the individual is ineffective at managing their own time. Being succinct can sometimes seem impossible, particularly on important topics. However, it may be inspiring to remember that some of the most profound communications that have ever been written have been very succinct, to include: The Preamble to the Constitution (52 words), President Lincoln's Gettysburg Address (272 words), the Declaration of Independence (3,000 words), and Martin Luther King's "I Have a Dream" speech (1,550 words). Okay, a little something closer to home? The formal explanation of the Pythagorean Theorem is only 24 words and the Archimedes' Principle (that explains why ships stay afloat) is just 67 words.

2) Measurable (and Manageable) – You may recall the old adage; "You can't manage what you can't measure." When it comes to SMART communication systems, the inverse is also true. Manageability and measurability go hand-in-hand when driving performance and compliance.

A manageable communication system requires a defined structure for format and frequency, so that the lack of structure doesn't in itself become a communication distraction or obstacle. I have seen many executives leave the structure of their periodic communication process to their individual team members, essentially leaving themselves in the unenviable position of receiving various types of communication in various formats and at various frequencies - making it impossible to process and keep pace.

The Dirty Little Secret of Periodic Communications

In most technology companies, employees often provide their status reports to their manager on a weekly or bi-weekly basis. Over my 23 year career, I have had a unique vantage point, having been on the inside of the world's largest defense contractor, the world's largest database software company, the nation's premier intelligence agency, and the world's largest internet services company. One might wonder what they all have in common – and what my vantage point has taught me. What is it that everyone seems reluctant to acknowledge? The answer should not be a surprise. A high percentage of status reports never get read, a higher percentage leave the reader unsatisfied (at best), and finally, an even higher percentage don't enable the reader to extract value.

Given the organizational cost of developing status reports, this observation alone suggests it's time to increase the level of importance that executives have traditionally attached to the process, while Sarbanes-Oxley provides the sense of the urgency.

When a communication system is hosted on a centralized database, it provides the platform to conduct quality data searches and to develop insightful information reports. These reports can provide key measures and metrics that are highly useful to SOX auditors who can use them to determine where to draw their sample, to teams performing risk management; and to managers providing day-to-day oversight of their team's performance.

You may be asking yourself: Why can't e-mail be the platform? E-mail, when used properly, is a great communication tool. However, when used as a periodic status reporting tool, it often leads to "e-mail swirl" where managers and executives spend valuable time unraveling e-mail chains, particularly when multiple versions of the same e-mail permeate an organization, or some individuals reply at the top of the e-mail while others reply at the bottom, and still others reply to a snippet of an e-mail, leaving out the surrounding context. When looking to retain key communications, some e-mail systems require attachments to be stored independent of the e-mail, leaving managers and executive to hunt for lost attachments. Further, the ability to generate reports of email communications is virtually non-existent.

In summary, a SMART communication needs to be manageable and, ultimately, measurable.

3) Actionable – Making a communication actionable means writing it in such a way that the recipient can readily determine whether the communication is info-oriented (an FYI) or action-oriented, making it a “to do” for the executive. This requires individuals putting themselves in the shoes of their manager and asking themselves: *If I read this (and only this), would I know what it is that I am being asked to do?* In other words, does the “ask” have clarity? If a manager has to work to understand what the action being requested is, then more likely than not, it’s on its way to being set-aside, in order to give attention and priority to those that are clearly actionable.

4) Relevant – It’s not uncommon for an individual spending a great deal of their time on a project or task to make an unconscious assumption that everyone around them (including their manager) is as intimate with the scope, schedule, budget, and personnel aspects of the work as they are. This can lead to leaving out relevant background and facts. Of course, this needs to be done succinctly. Another phenomenon that I have personally observed many times is that a project often takes on multiple names and descriptions, each centric to the person writing the communication. The end result is that when these communications are escalated up an organizational hierarchy, they can not be properly associated. All of this can be remedied by clearly linking the communication to a specific project or task that has a defined name and description that is administered throughout the life of a project or task.

5) Time-Based – Whether a communication requires an action to be taken, it’s helpful to communicate a “need date”. With executives having demands placed on them from so many different stakeholders, a time-based communication provides key information for personal time management.

Three Ways to Improve Time Management

Time Management is a top priority for all executives. As such, much has been written on how to use proven techniques to be individually more efficient and effective. Applying some of these same techniques at the enterprise-level can yield profound benefits. Here are 3 recommendations to consider once an enterprise on the path to SMART communications:

1) Highlight What’s Changed – In recognition that some communications need to be re-communicated or revised over time, it’s helpful to have team members annotate them as “New”, “Unchanged”, or “Revised”. This helps an executive determine how closely it must be read, since a new communication will need to be read closely, and an unchanged communication can be treated as a reminder and skimmed.

2) Prioritize the Communications –Remember the Urgency and Importance matrices from graduate school? These matrices have been around for years, helping executives manage their personal task list by assessing and discerning which tasks are “Neither Urgent or Important”, “Urgent, but not Important”, Important, but not Urgent”, and “Both Urgent and Important”. Having each individual take a moment to assess how urgent and important each of their communications are can not only be a sobering and humbling experience, but can help an executive focus his or her attention on the highest priority communications first. Cross-prioritizing is even more powerful.

3) Reassess the Periodicity – In most companies and organizations that I have a part of, there has been a natural tendency to require periodic communications on weekly basis. It seems logical and works well in many cases. However, what can happen is that a weekly periodicity can actually undermine, rather than reinforce, the process. For example, an executive may be out-of-pocket for a couple of days, and later, when contemplating whether to read a communications report that is 2-3 business days old or wait for an updated report in 2-3 days, it becomes easier to wait. When periodic status reporting is weekly, some individuals can feel pressure to “fill a page” to justify their job, rather than focus on writing succinct communications. My recommendation is to consider moving a weekly process to bi-weekly (every other week) so that the reporting process is more meaningful and less prone to fluff. I also recommend that periodic reports be provided, whenever possible, on Friday afternoons so that an executive has a better opportunity to read it while the information is current.

After Compliance

Once a company becomes compliant with SOX, change becomes the enemy. Changes to product offerings, marketing and advertising systems, time-keeping systems, billing systems, accounts payable systems, etc. can all affect internal controls. These systems cut-across the enterprise, making it necessary for every employee to be aware of how their work may affect a company's internal controls – and ultimately SOX compliance. This challenge requires an ongoing, enterprise-level communication system which can serve to inoculate a company against non-compliance.

Take Action

Because change is evitable and time is of the essence, you shouldn't wait for multi-million dollar Enterprise Resource Planning (ERP) or data warehouse implementations to put a SMART communication system in-place. Sure, these initiatives can improve visibility, but a great deal can be accomplished by improving the communication of information and facts already available and known. One doesn't need to look back too far in history to see examples of where failed communications were about getting already known information to the right person(s), and not about acquiring the right information. The Columbia Shuttle accident in January 2003, and the FBI's failure to act on intelligence preceding the 9/11 terrorist attack are two glaring examples where information suggesting imminent danger or disaster was ineffectively communicated within an organization.

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