



Policy Management by Design

HOW TO CREATE AN **EFFECTIVE POLICY STRATEGY** THAT COVERS ALL THE BASES—AND LOWERS COSTS, INCREASES CUSTOMER SERVICE AND DECREASES REGULATORY RISK.

Whether an organization is in the public or private sector, policy management is critical—and becoming more so.

“An effective policy strategy needs to be based on a central system” for defining, testing, enforcing and updating policies, says Brian Babineau, a senior analyst at Enterprise Strategy Group (ESG). “The underlying technology needs to be both dynamic and flexible enough to deal with an ongoing evolution of policies” in response to changing business goals and priorities, regulations and market dynamics, Babineau notes. “Otherwise, policies will become outdated and static.”

INEFFECTIVE POLICY MANAGEMENT CAN SPELL DISASTER FOR AN ORGANIZATION. To take a few hypothetical, but by no means unlikely, scenarios:

- The two members of an urban child welfare agency’s IT staff manage policies on an outdated, cumbersome file system. As a result, they are constantly playing catch-up with rapidly changing federal, state and local regulations. An equally overburdened administrative staff is responsible for ensuring that caseworkers comply with regulations and the agency’s internal policies. As a result, cases are sometimes mishandled and children get hurt. The agency winds up in a widely publicized child abuse case and is sued by the city.
- A Fortune 500 financial services firm’s internal auditors and information security officers have developed a comprehensive set of internal policies to ensure compliance with federal regulations. However, the company has no systematic way to deploy and enforce policies across the enterprise. The situation becomes more challenging when the company acquires two other companies—both of whose processes are different from each other’s and those of the financial services firm. A group of traders breaks some rules in pursuit of profit, and a major client gets burned and complains to federal regulators. The company pays a heavy fine and loses a big chunk of credibility and customer goodwill.
- A business’s chief information officer has serious security concerns about employees’ using wikis and RSS feeds, so he institutes a policy prohibiting their use. However, marketing managers and salespeople find wikis and RSS feeds to be effective tools for bonding with customers. Rather than explain this to the CIO (whom they consider to be a control freak) and perhaps working out a compromise, they ignore the policy. A security breach results, and the company pays a huge fine.

Such cases are all too common these days, because so many organizations’ policy strategies are fragmented, out of date, haphazardly deployed—and ultimately ineffective. High-level executives are acutely aware of the problem.



A recent survey of 211 public and private sector organizations conducted by The Economist's Intelligence Unit, found that 89 percent of the government respondents and 81 percent of the private sector respondents have suffered a negative impact from the lack of an effective policy management strategy. The common costs include:

- Heavy fines for regulatory noncompliance
- Inefficient utilization of business and IT resources
- Inconsistent application of business decisions
- Customer dissatisfaction, resulting in litigation and/or loss of revenue

This paper discusses the importance of an integrated, centrally managed policy management strategy, the challenges organizations face in deploying such a strategy and how a policy automation platform can help them achieve it.

The Challenge

Several dovetailing trends are making it both more difficult and more critical for organizations to get a better handle on the rules and regulations that govern profit and loss, IT operations and interactions with customers. Government and industry regulations are becoming more complex, far-reaching and volatile—and the penalties for noncompliance more onerous.

Three-quarters of the respondents reported a rise in the number of new policies requiring implementation in the past year, and 77 percent said they expected this trend to continue over the next three years. Eighty percent said they are only occasionally or somewhat effective at changing policies.

In the public sector, an aging population and the economic recession have greatly increased the number of applicants that social service organizations must deal with. Eligibility requirements have become more stringent and complex, and benefit packages and tax structures are more complicated and confusing to the average citizen. At the same time, budget cuts are forcing agencies to do more with less.

Call centers are struggling to handle a growing volume of customer queries, whether they are about the latest tax laws, visa eligibility or eligibility for a particular type of insurance plan or mortgage.

In the aftermath of the financial meltdown, “We are seeing more and more regulation as well as government intervention in business,” says ESG’s Babineau. This has resulted in “a lot of new reporting requirements and controls, pertaining to everything from executive compensation to new product introductions,” he adds. “Companies have to deal with regulatory requirements and complexities that didn’t exist a year or a year and a half ago.”

As a result, firms need to keep updating the rules and policies by which they operate, particularly when it comes to balancing profit and risk and interacting with customers.


New provisions under the Health Information Technology for Economic and Clinical Health (HITECH) Act impose mandatory financial penalties on healthcare organizations that fail to conform to HIPAA security regulations and then suffer a security breach. Furthermore, organizations are held liable if sensitive data is compromised by a partner, such as a service provider, or another healthcare organization. At the same time, the Obama administration is using incentives and financial penalties to pressure healthcare providers to deploy electronic health record systems that can interoperate and share patient information. Organizations must thus design policies that facilitate the sharing of sensitive information without compromising security—no easy task.

Executives are well aware that their organizations are paying a heavy price for ineffective policy management. Fifty-two percent of the public sector respondents to the Economist survey said inconsistent policy implementation has hurt their ability to deliver on their mandated mission. Forty-two percent reported that it has increased costs, whereas 30 percent said that it has reduced customer service.

One solution: holistic policy management through automation.

The Holistic Approach to Policy Management

Unfortunately, many of today’s organizations suffer from policy fragmentation: rules developed and deployed in a more or less haphazard fashion, with each group or division creating and following its own rules or versions of rules.



An integrated policy automation platform such as Oracle Policy Automation manages policies in a seamless, circular workflow that consists of the following processes:

- Collect information from policy experts, knowledge workers and legacy systems
- Define and model policies; run what-if scenarios and perform pilot tests to determine their viability and effect on specific business areas
- Deploy and enforce policies and controls across all relevant business areas and applications
- Monitor and analyze policies' impact in real business situations
- Update policies, based on analysis, new regulations, changing business priorities and so on

The following is a closer look at how policy automation adds value at each stage of the process flow.

The challenge business and technical leaders face is to figure out how to craft a more effective policy management strategy without breaking their overstrained budgets. For a growing number of public and private sector organizations, the answer is policy automation.

Policy Generation: Consulting the Experts

An effective policy management system needs to incorporate all relevant rules and knowledge that reside within a siloed group.

“Compliance, legal and information security officers; line-of-business managers; and application owners all need to collaborate in the building of a policy framework,” says ESG’s Babineau. Information security officers know the specifics of government regulations such as Sarbanes-Oxley and HIPAA. Business users know the value and sensitivity of different types of data. Customer-facing employees such as caseworkers, call center staffers, loan officers and sales executives can provide best practices in critical areas such as eligibility screening. “IT needs to be involved in these discussions, because it is going to be responsible for enforcing these policies across different systems,” says Babineau.

Historically, however, business users’ input into policy design has been limited, because the users have needed access to an IT manager every time they wanted to create or modify a policy. A policy automation platform addresses this problem by enabling users to create and modify policies directly, using natural language and familiar software tools such as Microsoft Office. The platform can also interact with ERP and HR systems and various databases; extract rules and policies from documents; and present them in natural language, or in Microsoft Excel or Word, for review by policy owners and business executives.

Involving business experts directly in policy design and modification both streamlines the process flow and ensures that the end result reflects the knowledge and priorities of different areas of an organization.

Rules and policies are stored in a central rules repository, and all additions and changes are tracked and recorded, along with who proposed which rules or modifications. This not only facilitates collaboration but also enables an internal security officer, customer service representative or IT manager to look up the logic behind a policy at a later date.

Once a policy has been defined and formalized, it is modeled to determine the cause-and-effect relationships of rules involved in decisions and to determine their impact on various business areas.

Deployment: Make Sure Everyone Is on the Same Page

An effective policy management system automatically propagates rules and best practices on key applications and provides employees with a consistent set of rules and best practices. This assures quality in critical interactions, such as when a bank officer is determining a customer’s eligibility for a special rate or mortgage or when an IRS agent is assessing and determining the right action in a possible case of fraud.

On the security and compliance front, employees need to know “what information they have that they can’t share and what information they’re not supposed to ask for in the first place” from a customer, Babineau says. IT needs to apply system



A policy automation platform enables an organization to

- Implement and enforce legislative and regulatory policies across multiple service delivery channels, ensuring consistency throughout the enterprise
- Keep policies in tune with changes to regulations, in the marketplace and within the organization, governing situations such as an acquisition or entry into a new product area
- Guarantee accuracy of decision-making by deploying rules that business users can understand, with direct links to source policy documents
- Use what-if analysis to assess the impact of proposed legislation, regulations and policy changes on customers and citizens

controls that monitor and prevent users from breaking those rules.

Too often, however, organizations either count on employees to do the right thing or define “very high level policies” that are open to individual interpretations, Babineau says. Either way, there’s risk, “especially with today’s increased stakeholder and shareholder liability.”

A policy automation platform provides a variety of options for disseminating policies across an organization and out to customers as well.

Policies can be made available to employees via a Web portal, pushed out to their mobile devices or embedded in a customer relationship management application. A policy deployed on a call center system might tell staffers not to ask a customer for more than the last four digits of a Social Security number. If the staffer forgets, the system might simply refuse to store the full number.

Policies deployed on an organization’s Web site can help ensure that customers and citizens receive accurate and consistent answers to their questions and are guided through often-complex screening processes that determine whether they are eligible for a new tax break, a green card, a particular type of mortgage or a cash payout after an auto accident. Web-based policies need to reflect federal regulations as well as local laws. Babineau notes, “When issuing price quotations via a Web browser, there are certain financial requirements and discounts within a certain range for a given customer. Tax policies, too, have to be accounted for if someone is buying from a certain state online.”

One government agency is using Oracle Policy Automation to ensure that new legislation is incorporated into policy changes in a timely fashion and that IT, policy owners and business units are all involved in policy development. The latest policies are automatically deployed to the agency’s call centers, drop-in locations and field workers. Policies are also deployed on its self-service Web site, so that citizens are apprised of the latest rules and regulations that apply to them and can do calculations to determine if they are eligible for special programs or paybacks. This not only saves the government agency call center costs but also boosts customer satisfaction, because citizens can get the answers they need without taking the time to contact a live person at the call center.

Another key element of a successful policy management system is auditability. A policy automation platform keeps track of the process by which a policy is developed or updated, so that later on experts can deconstruct it, determine what works and fix what doesn’t, Babineau says. “No one wants a policy that triggers limitless infractions, nor does anyone want a policy that is applicable about once every three months.”

At least as importantly, when a regulator or a litigator comes calling, organizations can produce records that prove that their policies follow all the necessary rules. On the CRM front, loan officers and social service agents can cite the policies behind a decision to deny a customer or citizen eligibility. This can help defuse a potentially volatile situation that could lead to the loss of a customer, or even a lawsuit.

For public as well as private sector organizations, automated policy management and deployment ensures that employees’ dealings with customers are optimized for both sides—that customers’ questions are efficiently, fully and accurately answered and that eligibility decisions maintain the right balance of risk and reward.

The bottom line: Oracle Policy Automation enables companies to make more consistent and effective business decisions while making more effective use of available resources. The paybacks include reduced costs, reduced risk, higher profits and increased customer satisfaction.