

# The RIM Manager's Role in Supporting Major Business Changes

During major organizational changes – mergers, acquisitions, divestitures, and closings – quality recordkeeping should never be an organizational afterthought

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*Editor's Note: This article is based on research conducted by this author for the ARMA International Educational Foundation (AIEF). The research report, "RIM Checklist for Mergers, Acquisitions, Divestitures, and Closures," includes the research findings, a RIM program checklist to help records managers evaluate and plan approaches to mergers, acquisitions, divestitures, and closures (MADC) issues, and a records inventory checklist for surveying specific MADC-related records. This report may be downloaded free of charge from the AIEF at [www.armaedfoundation.org](http://www.armaedfoundation.org).*

**T**he economic necessity of being shrewdly competitive in today's global markets drives many organizations to expand, contract, grow, or reduce entire product lines or organizational divisions very rapidly. As markets change and financial realities redirect corporate strategies, businesses often consider combining forces for increased

## At the Core

### This article

- ▶ Discusses the records risks and challenges related to business changes
- ▶ Examines the role of records managers during a MADC
- ▶ Identifies electronic records issues related to a MADC



market domination or to streamline and focus products and services.

Mergers between organizations may occur, requiring some internal downsizing of staff and activities. Acquisitions of one corporate entity by another can occur to increase intellectual capital, available product lines, or market presence, while simultaneously increasing executive responsibilities for the management of financial, human, and physical resources. Divestitures or closings might occur when certain products or services are no longer viable in the marketplace.

These organizational changes may be years in planning or take place rapidly – within a few weeks or months. Often, considerations regarding data, information, and records are left to quickly formed working groups or addressed as an afterthought when business activities begin to decline in volume or criticality. Many organizations have later regretted not creating thorough documentation on business process changes or have not realized the expected financial reward of a merger or acquisition because their records are inadequate to respond to business, legal, or regulatory questions that arose.

This is an unfortunate reality unless executives require that quality recordkeeping and records management processes be incorporated into any activities resulting in global changes in corporate business strategies and operations.

### Business Change Demands Quality RIM

As organizations change strategies and overall activities, individual business units within those organizations also change – existing departments are eliminated, new departments are created, and the responsibilities of the remaining elements of the organizational structure are vastly changed.

Mergers create a combined company with the need to integrate information management practices overall. However, specific information management practices may vary between locations or business units, and a cooperative consensus will need to be reached regarding how to best manage information long-term. In acquisitions, the acquiring organization may drive and determine the eventual outcome of information management practices. However, a transition

period and transition plans will still be needed.

In cases when organizations split or closings occur, responsibility for financial data preservation, intellectual property protection, and information technology systems maintenance must be determined. During divestitures, some records may be transferred to the buyer of the business units that are sold, requiring decisions on mutual responsibilities following the cessation of some business processes. Complete closure of an organization or business will not necessarily eradicate continuing responsibilities for records maintenance and retention by all parties, if litigation or regulatory compliance issues remain.

Failure to address these issues can lead to difficulties for executives and attorneys if decisions must be justified or defended later. There is no single solution to meeting such challenges, which makes advance planning all the more critical.

### Demanding a Place at the Table

Commonly, chief executive officers, company presidents, and internal strategic planning staff initiate merger, acquisition, divestiture, and closing (MADC)-related activities. Often, marketing executives, attorneys, and financial personnel are added to due diligence teams that may be formed as the deliberations become more complex and the likelihood of organizational change becomes more apparent.

Unfortunately, internal RIM program personnel are not always included in these initiatives until later when, for example, it becomes clear that a volume of important records needs to be placed in a commonly accessible repository to ensure future access. Therefore, it is critical for records managers to take the initiative in asserting both the need to manage the life cycle of all information and the corresponding need for them to participate in any teams chartered with leading organizational change.

In a forward to *The Art of M & A Due Diligence* by Alexandra Reed Lajoux and Charles M. Elson, PriceWaterhouseCoopers partner Philip J. Clements noted that as much as 80 percent of merger/acquisition transactions did not achieve their intended financial value for eventual company shareholders. As Lajoux and Elson wrote in *The Art of M&A Due Diligence*: “While there is no single reason for the high failure rate, many transactions are unsuccessful because the acquirer cut corners on due diligence – downsizing or delegating important due diligence work.”

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Due diligence activities are very dependent on information, documents, and records. Such processes must have professional-level expertise if organizations are to be well-informed during decision-making processes.

The added value from documenting the information assets of organizations considered for merger or acquisition must be presented in a clear business case that outlines both the benefits of professionally managing records and the risks of not doing so. RIM activities are most effective when they are started early in a merger/acquisition lifecycle project. After team activities begin, it can be difficult to regain lost time in assessing both team and business unit information assets and making recommendations for their proper management.

### Contributing to MADC Activities

Supporting merger and acquisitions teams is a major opportunity for records managers.

Records managers are familiar with the need to educate records creators regarding the principle that data, documents, and records in all forms belong to the organizational body supporting creation of that information. This principle must be presented clearly to any due diligence or merger/acquisition teams that might form. This can be a source of frustration for team members if the need to document team activities is perceived as time-consuming and of low immediate value.

Typically, RIM professionals might also provide records checklists, as well as manage records in an easily accessible repository for team members. They may perform records inventories onsite at new locations, establish retention periods for newly identified records series, and design a document management system for managing both physical and electronic records. It is common for due diligence teams to fail to assess and inventory archival materials owned by other companies or in other locations that still must be preserved. Records management personnel excel at these kinds of activities.

The project team may also have a perception that it, the work group, or business unit “owns” the records. But the need to share information – both now and later (with personnel not currently on any working

group) – must be a primary part of the charter of any project team, and this can be reinforced by the RIM professional.

The records professional also must clearly distinguish for team members the difference between the records created for due diligence team activities and the records created or owned by the organizations that are involved in these processes. Only a small subset of the overall information assets of a corporation will be needed for due diligence processes by the team. Copies and/or originals of corporate records may come into the possession of the team and need to be preserved as team documentation, but they should be transitioned to the purview of a records management department as the project closes.

Finally, the RIM manager needs to begin making plans for managing the corporate records of the respective organizations after the merger activity. (See “Strategies for Merging Recordkeeping Systems” in this issue of *The Information Management Journal*.)

### RIM Program Activity Challenges

Once it becomes clear that a merger/acquisition activity will occur, all information resources and information management

programs in related organizations must be described and identified. Such an inventory should include the existence of any information management programs, the program scope, the degree of completion of retention schedules, and any record-keeping-related policies, procedures, or business practices.

When few formal programs exist, the creation of new RIM programs may become the responsibility of any current records management staff, with a corresponding increase in their daily workloads. Such changes in responsibilities and volume of activities may mean existing RIM programs need additional support from management with respect to staff, resources, and funding.

When other RIM programs do exist, each respective RIM program will need to establish a new scope and set of priorities. For example, should the RIM programs be combined? If so, who leads the new integrated RIM program business unit? This issue may affect the effectiveness of a very critical aspect of mergers and acquisitions – the capture of executive-level records in any acquired organization.

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Executive and senior management officials often try to minimize the “paperwork” they leave behind as positions change, new reporting relationships arise, and individuals leave the organization. It is awkward for personnel that previously reported to those individuals to request their records. To ensure that such important data and documents are captured, the RIM program manager must take the initiative to identify and preserve all information that will be needed in the future. That individual may need new directives from current management to make sure he or she has the organizational influence to achieve that goal.

Because a due diligence team is primarily concerned with ongoing project-related records, a RIM program manager will need to inform management that the overall quantity and nature of RIM services may be changing. New personnel will be needed to address records in new locations, and additional training of existing staff should be expected to conduct enterprise-wide comprehensive global records inventories. In fact, it often becomes necessary to outsource some RIM program activities, and new contracts must be awarded to do so. This dilemma can require reconsidering existing contracts and selecting a new outsourced RIM services vendor. Those with a presence in many cities may be of special interest due to the cross-national nature of many business integration opportunities.

### Electronic Records Issues

Most organizations today use computer technology to the maximum extent that is financially feasible. For this reason, such organizations create enormous volumes of data and electronic records that require special planning to ensure that records retention and digital preservation issues are addressed.

Post-acquisitions litigation, post-merger audits, and other organizational recordkeeping reviews require that records be preserved and retained in required physical and electronic formats. As differing organizations try to integrate processes and data from information technology (IT) systems, data and records may occasionally be lost or misfiled, or they may become inaccessible. These instances can be minor or can result in complete loss of information critical to business operations, litigation response, or regulatory compliance.

Computer data is typically stored on hard drives, floppy disks, tape backups, optical disk systems, or a variety of storage devices and in a variety of applications software. For the most part, financial data is of most interest in mergers and acquisitions, but any data related to intellectual property, real estate, product inventories, or other corporate assets is of great interest during due diligence team efforts.

A major issue during these and other business transition activities will be the data types and applications software used to create business records. Personal computers and electronic mail systems are also of interest due to the high-value content often contained there. In the past, it was relatively easy to ask for and receive paper-based records, as these require no special tech-

nologies to read and use. However, computer-based records require the receipt of data that is to some extent compatible with another company’s computer systems, thus potentially creating data and applications risks and problems.

Direct transmission of this data to the due diligence team may be workable, or it may be that IT personnel have to massage, manipulate, or alter the data for import into new systems. To facilitate this process, more than one copy of the data is often required, thus potentially creating evidentiary and authenticity issues. These actions can alter the evidentiary value of information if not performed according to rigorously tested and validated processes.

It is beyond the scope of internal IT personnel to assume responsibility for managing all the project’s electronic records and certainly beyond the resources normally assigned to due diligence teams for those personnel to create an electronic document and data retention repository. It is best to assign this responsibility to a records manager with special technology skills in managing electronic records.

Most individuals and organizations are especially sensitive to the release of their electronic records, but they will release those records in great volume and variety if required. Considerable advanced planning is usually required to successfully gain organizational cooperation and to create compatible data and applications strategies that make acceptance of records in electronic format technically feasible.

Using an electronic records management software system to serve as a repository for due diligence team records and data would be well-advised. An electronic records management system operated with rigorous adherence to well-managed content submission processes will ensure that records are retained as a standard course of business and can be responsibly tracked and managed.

### An Ongoing Challenge

The growing variety and volume of mergers, acquisitions, and other organizational changes will drive many records managers at some point in their careers to create new recordkeeping solutions and processes as they encounter new professional opportunities. Each individual must assume the responsibility of preparing themselves and their organizations to survive mergers and acquisitions. To do so, they must be aware of the technical, organizational, and professional challenges ahead. ■

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### References

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