

# COMPLIANCE WEEK

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## Study: Cos. Still Lagging on Records Management

By Jaclyn Jaeger — January 26, 2010

A new study of corporations' records management programs paints a troubling picture of companies still struggling to keep pace with the huge compliance demands piling onto them, despite the strides made in the last several years.

The study, the *2009 Iron Mountain Compliance Benchmark Report*, surveyed more than 2,500 enterprises in the public, private, government, and non-profit sectors and compared the data to Iron Mountain's last benchmark report from 2007. The bottom line: Companies have not shown much improvement in compliance over time, says Maribeth Ross, senior marketing program manager, compliant records management, for Iron Mountain.

One bit of good news is that more companies (24 percent today, versus 18 percent in 2007) now have their records management program report to some sort of legal, compliance, audit, or risk-management function, rather than a business or administrative one. Ross says that change in mindset is critical. "The shift is commensurate with increased scores; when companies shift to that reporting structure, they perform better," she says.

The Iron Mountain study identified four stages of maturity for records management programs: high-maturity organizations; growing maturity for large or mid-sized organizations; growing maturity for smaller organizations; and low-maturity organizations.

Not surprisingly, the study found that with high-maturity programs companies tend to be in highly regulated industries such as financial services, insurance, healthcare, or pharmaceuticals. The more mature the program, the more likely the company is to have formal, enterprise-wide policies and procedures for records management.

To get there, however, top management typically needs to throw its weight behind a "cultural shift" in how records management is perceived, Ross says. For example, high-maturity organizations tend to have steering committees with considerable power over records management practices, "so that at the time you're planning and building your policies and procedures, you've got buy-in at top levels of the organization," she says.



On a more prosaic level, the study also found that most high-maturity organizations have experienced some sort of, ahem, "trigger event"—usually an investigation, audit, or fine, which prompted the company to beef up its efforts.

Next down the scale were mid-sized companies with revenues from \$100 million to \$1 billion that fell into the "growing maturity" category. Those businesses typically have formal retention schedules and policies, but fall short in such areas as document security, training, and auditing, the study found.

In addition, while most companies in this group do have steering committees, those committees lack the full authority to direct records management policies. That, in turn, exposes the company to an inconsistent application of the program it has. Such inconsistency can be especially dangerous, Ross says, because if an investigation ever does happen, regulators will want to see "consistency rather than ad hoc behaviors."

Behind the larger mid-sized firms were their smaller brethren,

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**“[A]s a matter of policy and a matter of course, companies large and small are failing to properly train their workforce, and employees simply don't get it.”**

—*Randolph Kahn,*  
Founder,

mostly in the \$10 million to \$100 million revenue range but still in the “growing maturity” class. Those companies face even greater risks, the study said, because they typically have no steering committees in place. The good news is that the group (many in the manufacturing and legal services sectors) appears to be further ahead than larger mid-sized firms in privacy and security around documents. Many said they too had experienced a trigger event, but most of that group claimed to have felt little effect from it, the study said.

In last place were companies with lower-maturity programs. They lacked any formal policies and procedures at all—although they claimed to be committed to records management “next year,” the study said. This group tended to be in the retail, technology, education, architecture, construction, and engineering sectors.

Few said they had experienced a trigger event, which might explain the lack of action on records management. “What the data shows us is that companies are largely reactive versus proactive,” Ross says.

**Electronic Records**

One universal weak point uncovered by the study: electronic records. Overall, only 13 percent of respondents said they manage electronic records in compliance with a records retention schedule.

Moreover, 67 percent of respondents said they have few written procedures (or none at all) to notify employees to cease destruction of records. That’s actually an improvement from 2007 when the figure was 80 percent, but it’s still a glaring weakness in proper records management. For the most part, Ross says, companies either direct employees to delete old e-mail or simply retain all electronic records, period.

Data destruction policies have vexed companies for years. Destroy too much, and the untimely absence of a document could come back to haunt you in litigation; save everything, and you run the risk of giving opposing counsel juicy information they weren’t looking for.



Kahn

Still, Iron Mountain isn’t the only one to see such alarming results on that point. Randolph Kahn, founder of records management consulting firm Kahn Consulting, cites a report his firm published in 2008, where only 16 percent of employees said they understood obligations to preserve records in the event of litigation. Only 20 percent understood their records retention responsibilities at all.

“What that says is, as a matter of policy and a matter of course, companies large and small are failing to properly train their workforce, and employees simply don’t get it,” Kahn says.



Carlisle

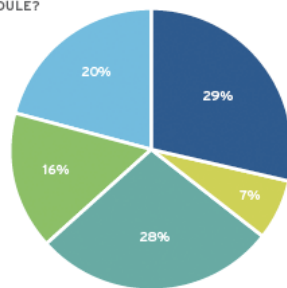
That’s particularly troubling news at a time when records management is more complex than ever. Diane Carlisle, director of professional resources at ARMA International, notes that on top of legal and regulatory requirements, companies now must also wade through privacy and information security issues as well.

Corporate America is in the midst of a “perfect information mismanagement storm,” Kahn says. For example, workers can execute a contract by e-mail, modify it in a text message, and announce it in a blog. “What that means for the average business is that they need to take seriously not only the management of the content, but the various systems that most employees view as causal

**RECORDS MANAGEMENT MONITORS**

The pie chart below shows how participants in the Iron Mountain study monitor compliance with records management policies.

HOW DOES YOUR ORGANIZATION MONITOR COMPLIANCE WITH RECORDS MANAGEMENT POLICIES AND PROCEDURES, INCLUDING THE RECORDS RETENTION SCHEDULE?



- We do not have process controls in place
- We have some process controls which are administered on a decentralized basis
- We utilize barcodes, but our processes are not designed to ensure transaction integrity
- Our process (and/or those used by our offsite storage vendor) has system-driven workflow controls, which include barcoding and audit trails, but their use is inconsistently applied
- Our process (and/or those used by our off-site storage vendor) has rigorous, system-driven workflows that are auditable and provide defensible accountability and they are consistently applied and routinely monitored

2009 Iron Mountain Compliance Benchmark Report (2010)

and transitory by nature,” he says.

### Training Weaknesses

Companies of all sizes admitted to difficulty with records management training as well. Forty-three percent of respondents in the Iron Mountain study said they offer only informal or limited training on an inconsistent basis; 29 percent said they don’t conduct training at all. A meager 8 percent said they hold regularly scheduled education on all aspects of their records management programs.

Kahn says a good training program requires simple rules, simple messages, and real-life examples to make sure employees “can grab onto and understand the context of the content.”

One best practice is to develop a role-based training program tailored to the specific function of the person or people being trained. For example, Carlisle says, managers need a more strategic view of records management, and less focus on the mechanics of how old paper records are sent into storage.

The goal is of the training should be to give employees just the right amount of information they need to execute their job well, Ross says. “Don’t give them too much information. Don’t give them too little information.”

Another best practice is to supplement training with job aids such as checklists and flashcards, so that whenever questions do arise, the employee has reference materials on hand, Carlisle says. These materials should further be available online, she adds.

Companies should also approach records management in the same way they approach their codes of ethics, Carlisle says. “Records management is a big part of how to conduct business in an ethical fashion, and so the more that companies can bring records management into the corporate culture of doing business in a responsible fashion, the better off the company will be and the more clear cut it will be for the employees.”

#### RECORDS MANAGEMENT ACCOUNTABILITY

The graph below indicates who at survey participants’ companies is accountable for records management.



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