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This article was printed from Enterprise Innovation on 10-Mar-07.  
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## **New strides in record management (Jan 2007)**

By Jose Allan Tan

Say 'compliance' to a roomful of CFOs and CEOs and you will hear 'quiet dread' settle in very quickly. Visions of Enron senior executives receiving jail sentences of up to double-digit numbers come crashing through these intrepid minds. Forget the lurid stories of cover-up, greed and mismanagement. By close of business, it all boils down to a lack of transparency and compliance on the part of certain company executives.

The high profile visibility of the Enron debacle resulted in the proliferation of regulatory requirements such as Sarbanes-Oxley and Health Insurance Portability and Accountability Act (HIPAA), or at least a greater awareness of the existence of such regulations. Though the initial impact of such regulations has largely been in the US, the global nature of business -- companies with operations overseas or have elements of their business process outsourced elsewhere - means that compliance has taken on a worldwide face.

Businesses face real-world problems everyday, including customer expectations for great products and excellent service, business partners requiring stringent control over operations and unmatched level of transparency and interoperability, and statutory bodies strictly enforcing regulatory framework among its members. On top of these issues is the use of different forms and multiple types of documents within the organization, paper-based or electronic.

Regardless of form, companies need to have a records management strategy to ensure that the organization meets the information retention requirements of the host country and regulatory bodies locally and internationally, to be "dispute-ready" in the event of litigation, to meet continually evolving workplace relations issues, and to appease shareholders' concern over business viability.

Records management is nothing new. Just about every business has stacks of documents filed neatly in rows and columns in office cabinets. A cumbersome issue for the records manager is the retrieval of documents once they have been filed. Document imaging and the popularity of e-mail have created a new challenge for many of these organizations. Somebody has to decide what information is vital, how to store it, and how to retrieve it when and where it is needed.

Records management is an important component of a company's compliance strategy. "Countries have clearly defined record retention policies within the Companies Act (or it's equivalent) and local tax regulations. Most of these regulations make no distinction between paper-based and digital records. It is imperative that organizations consider records management as part of their overall compliance strategy," says Kathleen Phillips, North Asia Director for AXS-One.

With 2005 revenues in excess of \$15 billion, global cosmetic giant L'Oreal is one of a growing number of companies constantly looking for ways to stay competitive and compliant. And with its products distributed across 130 countries, ensuring that the company and its partners comply with local and international regulatory requirements is a daily concern for senior management and consequently, the custodian of information within the group -- the IT department.

Arthur Cheng, IT Manager of L'Oreal Taiwan, takes this issue very seriously. With e-mail now a very important communication tool for the organization, keeping track of official communication means implementing policies and a strategy for e-mail retention.

"We took a long-term view of records management as it relates to compliance. Because we have a number of business systems in-house it was critical to select a solution that was able to communicate with all the different applications while ensuring good governance and transparency," says Cheng. "We needed a solution that would allow us to accurately store and quickly retrieve relevant data without requiring us to replicate existing databases."

Cheng readily admits that the new system not only allowed them to meet compliance requirements but the business process enhancements achieved during implementation allowed the organization to achieve higher operational efficiencies.

Implementing a new system does not come without risks. Cheng minimized such risks by calling on the

assistance of an in-house expert from the head office. Many organizations in Asia may not be as fortunate.

### **Best practices**

But enough implementations have been achieved in recent years to enable companies to build a list of proven best practices. First on the list is the need to understand that compliance is a top-down initiative that requires more than just paying lip service to the idea. The entire organization needs to be aware of the importance of the initiative, the role each person plays and the continuing realization that senior management is fully supportive of the project. But more than just understanding the importance of the new policies, employees must understand the personal benefits of complying with the new policies.

From a technical standpoint, "best practices start with an understanding of the requirements of the business, including internal governance requirements as well as the scope of external records retention," says Bjorn Englehardt, Director of Messaging Solutions at Symantec.

"This includes the type of data to be managed, sources such internal or external, creator of the data, current users of the data and what are the expectations for ongoing use of this data. Once this information is known, processes can be developed from which technology can be chosen. The key is utilizing technology that allows a consistent corporate policy and approach and doesn't fragment the application of policies or the retention of key records," he adds.

Business unit leaders must ensure that policies and procedures are clearly documented and must be in accordance with internal policies and external statutory and other regulatory requirements. Once agreed, these policies must be implemented and enforced.

IT has a strategic position within the organization and therefore IT strategies can only be determined once the requirements have been defined.

Warns Phillips, "As is the case with most other business processes, records management and corporate compliance initiatives will only succeed if business leaders take the responsibility of leading and endorsing the initiatives." These are the people responsible for the business process and the records generated as a consequence, regardless of form

"It is only after the completion of a business needs analysis that IT can be asked to source a solution in support of compliance and governance. IT cannot be expected to drive a records management initiative across the organization, when they do not know the internal and/or external record retention requirements of the various aspects of the business," she adds.

Records management is no longer just the concern of large multinational corporations. Even the smallest law firm or medical practitioner needs to undertake a review of what is important to the company and to its growth -- a goal common to all businesses, regardless of size.

"Record management should be one of the key initiatives of any organization no matter its size. Record management should form part of your knowledge management. Having timely access to company information allows you to understand your strengths and weaknesses, and enable you to compete more effectively in the markets you are in. By understanding the motivating force behind each activity, you ensure effective collaboration among the different departments within the organization," concurs Cheng.

### **Myths and fallacies about records compliance**

1. Compliance is a costly exercise. Lack of existing documented policies, procedures, and checks and balances will naturally spell a more expensive compliance exercise. But most organizations will have some form in place. Revamping and automating archaic processes will result in higher productivity and greater confidence of compliance.
2. Separate solutions are required to manage all of the corporate data. Strategic solutions are now available that can enable archiving of digital information across the organization and applications. Careful selection process will weed out point solutions from those that provide strategic value.
3. The only positive consequence of compliance is staying out of jail. Improving shareholder and investor values as well as raising market confidence as a result of good governance and adequate transparency should be the primary drivers for compliance. Operational efficiencies as ability to mitigate labor-related problems are also among its known benefits.