

## **TO SAVE MONEY AND BUILD CUSTOMER LOYALTY, GET ORGANIZED**

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Managers of corporations and government agencies do not start Monday morning thinking about getting organized. They do, however, demand that projects be completed faster and with less labor. They expect immediate access to information in order to make timely and accurate decisions. Without a good records management program, management and staff run the risk of not getting access to the right information, making the wrong decisions, taking longer to complete a project, and alienating customers, vendors, strategic partners — even other parts of their own organization. An example of the competitive edge derived from good recordkeeping can be seen in the example below.

You call your workers' compensation carrier to get information you need in connection with a claim that was filed two years ago. Within 30 seconds, the company's representative has the details displayed on her monitor and gives you the information you asked for. You feel good about having a responsive insurer, especially in comparison to horror stories you have heard from other companies. The insurance company, in addition to building customer loyalty, has saved money by handling your question in one short phone call rather than wasting employee time searching for the records and getting back to you (or not getting back to you and having to start over when you make increasingly irate follow-up calls).

### **Good Organization Is a Competitive Advantage**

Proper recordkeeping increases an organization's productivity and produces many additional benefits. Here are a few:

- Employees do not waste time searching for records
- Employees quickly access the exact information that is needed
- Legal requirements are met; the risk of severe penalties is avoided
- Probability of winning a lawsuit is increased by proper documentation
- There is business continuity in the event of a disaster

### **Lack of Organization Costs Big in Soft Money**

Lack of organization costs thousands of dollars a year. According to various surveys, the cost of searching for one misplaced record (paper or electronic) averages about \$150. When records cannot be found, it usually starts at the clerical level, then middle management, and sometimes senior management is looking for the file. It doesn't take long for that search to become expensive. And if a file or document is lost — an important contract, for example — the cost could be in the millions. Because these soft dollar costs are rarely considered, thousands of dollars continue to go out the back door due to poor recordkeeping. Research shows that up to 5% of all information is missing when needed because it has been misfiled. *Example:*

10 people searching daily for files x \$150 per search x 5 days per week x 50 weeks = \$375,000 lost productivity annually
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## **What Is Records Management?**

The text book definition is: “The application of systematic and scientific control to recorded information required in the operation of an organization’s business.” There are several components to a complete records management program. They include:

- Organization of paper records
  - Proper indexing/classification of records , i.e., File Index or File Plan
  - Proper filing supplies
  - Color Coding
  - Bar code tracking software to manage files
- Organization of electronic records
  - Proper indexing
  - Document management systems
  - Imaging
- Space planning for paper files
- Records Retention Schedule
- Vital Records Program
- Offsite Storage Management
- Business Continuity

## **Organization of Paper Records**

### Indexing/Classification Systems

Becoming organized starts with a good File Plan. But developing a filing system can seem overwhelming. Files can be organized alphabetically, numerically, duplex-numerically, alpha-numerically, chronologically, geographically, by subject or terminal digit, or even phonetically. A review of the record type is mandatory to select a methodology that will work best for the department or entity as a whole. When the volume of files exceeds 200, a numeric or subject classification system is generally advisable. When there are complex issues in a department (e.g. Legal), grouping “like subject categories” together makes it easier for the users to remember where they filed their information.

At a minimum, there should be an index of *every* file that is created. If the organization cannot invest in an electronic records management tracking system, then someone in each department should set up an Excel, Word, or Access file that lists all open files. There are several advantages to having an index. Each person in the department will have the option of searching the database for their files, or printing a report to review. There is less likelihood of files being opened for “one” document. When it is time to destroy records, there is a list of files that can be easily identified for destruction or further retention.

### Filing Supplies

Selecting the correct filing supplies is crucial in being able to retrieve your file folder(s) quickly and accurately. There are letter or legal size file folders, manila or colored folders, third cut or straight cut, top tab or side tab, pendaflex folders, classification folders with or without fasteners, expansion pockets of various sizes, among others. The list is extensive. The correct folders for your equipment make it easy to find your files. For example, if you have open shelving, you would use end tab folders rather than top tab folders.

### Color Coding

Incorporating color coding in your alpha and numeric file arrangements assists users to find the correct file quickly. Identical colors are filed together, allowing your eyes to spot a misfiled folder before you can read the label. Whether you use a simple Avery color label to distinguish files by the year, use individual colored alpha or numeric labels that are hand applied to the file, or utilize a sophisticated system that automatically generates a strip label that is affixed to the end of the file with the title of the file, date, and file code, color should be incorporated as part of your filing system.

### **Bar Code Tracking Software**

Large filing systems should utilize bar code tracking software in combination with color coded software. Each file is assigned a unique record in a database along with attributes about that file such as date opened, title, author, file number (if any), and comments. The tracking software can be networked, enabling all users to search the database for a file and its location, such as file room, individual's office, or offsite storage. Color coded software is linked to the tracking software that generates a label to be attached to the file. The bar code is part of the record which enables you to check files in and out to other locations or individuals. Reports can be created that show full inventory, what files have been checked out and to whom, what files are in storage, and other file parameters.

### **Records Retention Schedule**

A records retention schedule is a document that authorizes and provides for the transfer and disposition of all records of the organization. There are over 1,300 federal statutes and regulations imposing records retention requirements on businesses. State, county, and local governments also have recordkeeping requirements. It is vital to destroy only records that have satisfied their legal and administrative requirements. Remember Arthur Andersen's role in the Enron scandal. Who would have thought that a company would be dissolved as a result of illegally destroying documents? When developing your retention schedule, identify the department that "owns" the record. That gives permission to other departments who have a copy to destroy their record after its usefulness has been met – often within one year. Duplicate records occupy thousands of linear feet of expensive space. But personnel are reluctant to throw away duplicate documents until they have been given permission. After your schedule is established, a File Clean-up Day should be set aside to destroy records that have met their legal requirements. The longer you maintain documents unnecessarily, the longer they can be used against you in litigation.

### **Space Planning**

The majority of companies still file their documents in standard 4- or 5-drawer vertical or lateral filing cabinets. Yet, this filing equipment is not efficient. Companies can save over 50% of file-storage space by utilizing high-density filing equipment, such as double- or triple-deep shelving, movable shelving, rotary files, or automated carousels. It's more cost-effective to use space for workstations than for files, particularly in cities with high real-estate costs. If your department or company is getting ready to move, that is the perfect time to set up a new filing system and install high-density filing equipment. Don't let your architect sell you beauty over practicality.

## **Vital Records**

Identification of vital records is essential. These are the records that need to be reproduced within 24-48 hours in the event of a disaster for the company to become operational again. Examples of these records are your contracts, incorporation records, intellectual property records, list of personnel and their salaries, and accounts receivable. A duplicate copy of vital records should be offsite – preferably in another city.

## **Offsite Storage**

When space is limited, organizations need to send records that have a long-term retention to an offsite storage facility. Whether you decide to store your own records or use a commercial records center, index *each box*. Include content description, date range, department name, and manager's name. Designate one person in the department or organization to maintain an inventory of all boxes. This becomes invaluable when retrieving the correct box. Offsite storage of duplicate electronic records is also necessary. It can save a great deal of money — or even save the life your organization — in the event of a disaster that destroys your offices.

## **Document Management and Imaging Systems**

The old cliché, “garbage in, garbage out,” still applies. If your paper-based system is not working, your electronic system may also be in trouble. Managing word-processing and spreadsheet files that are stored in directories on local or network hard drives is challenging. The solution many companies adapt is electronic document management – an electronic library that provides users with a way to quickly search for and retrieve files. By choosing a document management (DM) system that is compatible with their records management system, companies can apply records management controls to both electronic and paper documents. By adding scanners and scanning software to the DM system, companies can convert their paper documents into electronic files. Then they no longer need to store and manage paper documents.

## **Business Continuity**

If your organization has a Retention Schedule and Vital Records Program you have one part of your Business Continuity Plan (BCP) complete. Remember the documents that floated from the World Trade Center on 9/11! Business Continuity Planning, a risk management program based on a business impact analysis, is the identification and sequencing of planned activities that enables the organization to recover in the event of a natural or manmade disaster. The BCP includes:

1) Emergency response; 2) Communications; 3) Sequencing and timeframe in which essential business functions must be recovered (Recovery Time Objectives; RTOs), and the equipment, human capital, and vital records needed; 4) Disaster/Technology Recovery to meet the essential business functions RTOs; 5) Facilities contingency plans; 6) Insurance; and 7) Executive leadership. The goal is to minimize disruptions in revenue, regulatory reporting, injury to personnel, and secure client retention. CEOs cannot count on luck, heroism, or an insurance policy to insure the Company's survival.

## **Summary**

If the budget to develop a records program seems high, look at the ROI (return on investment) which is usually 12-24 months. Organizations must protect the integrity of

their information assets. Without a solid records program, your organization may be in chaos – and senior management may not know it, until it's too late.

### **Background**

Sharon Hyder, CMC, CRM founded Glendale, CA-based Hyder & Associates in 1984. An information-management consulting firm, H&A specializes in *Turning Chaos Into Business Order*™. H&A establishes full records programs including Records Retention Schedules, Vital Records Programs, File Classification Systems, and other records programs. The projects' average return on investment is 12-24 months. H&A works with clients throughout the US, Europe and Asia. You can reach Sharon Hyder at [hyder@hyderandassociates.com](mailto:hyder@hyderandassociates.com).