A Records and Information Manager's Guide to Assessing Performance Risk for Financial Services

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Iron Mountain

Customer Advisory Board

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WHY READ THIS DOCUMENT?

Key Performance Indicators (KPIs) can be used in a variety of ways. They can track department or company performance, gauge the adoption of policy, or confirm compliance. Whatever the purpose, KPIs are powerful tools for measuring the progress and direction of an organization.

While performance indicators are industry agnostic and can benefit any information management program, the need for them is much higher in more regulated industries like financial services. As one of the most regulated industries, strict adherence to policy is necessary. The actions and policies of a specific business act as its first line of defense against risk – any risk, whether it is financial, operational, or reputational. However, performance indicators act as a critical second line of defense, demonstrating compliance to the policy for both external (regulatory) and internal (audit) review.

For Records and Information Professionals within the financial services industry, KPIs can also be the key to transforming the management of paper and electronic records. When performance indicators are set up properly, they will provide insight into whether your program is performing efficiently and in step with your company's goals. They also provide a way to quickly identify potential issues, giving you enhanced visibility into risks.

As compliance and regulatory challenges put pressure on financial services companies to report on risk and other performance-based criteria, KPIs support your ability to demonstrate where you are today, where you are heading, what problems exist, and when you reach your targets. It has become less about checking off a box on a list and more about demonstrating a fundamental framework for measuring your programs. Unlike 5 years ago, we are now seeing regulators begin to consistently request a KPI report card, as they begin to review how our institutions monitor the policy. As an industry, we can use this opportunity to demonstrate a consistent adoption of KPIs, and by doing so, we can establish a benchmark for regulators to follow.

In this guide, you will learn about the top KPIs that are used by large organizations to manage records and information programs. This is not meant to be an exhaustive list, but rather a foundational base to help guide your institutions' approach to establishing or refining indicators. Whether you have a mature measurement program, or you are just starting, this approach can be used to drive change and help mitigate risks within your institution.

A NOTE FROM THE CUSTOMER ADVISORY BOARD

Over the past 10 to 15 years, our industry has seen a tidal wave of change in the area of business intelligence and measurement. Whether that change was triggered by economic factors or ever-pressing regulatory developments, senior management requires all business areas to provide clear and concise reporting on how each department is meeting its business objectives. The final goal is to provide critical information that measures the strategic drivers of the business to the Board of Directors and/or C-level management. The goal is clear, but the pathways to get there vary greatly.

Over the past year, a subcommittee of Customer Advisory Board members has worked with Iron Mountain to discuss a number of topics relating to performance measurement for records and information management. This guide is a result of the collaborative effort to share best practices and recommendations with records and information management professionals in order to help you gain insight into an important business driver. This guide covers the following topics:

» A Brief Look at Metrics, KPIs, and KRIs

» Recommended RIM KPIs

» The Importance of Benchmarking

» Challenges of Change

The Benchmarking Subcommittees and Iron Mountain are pleased to provide the records and information management community with this practitioner's guide to assessing performance and risk for records professionals in the financial services industry.

Thank you

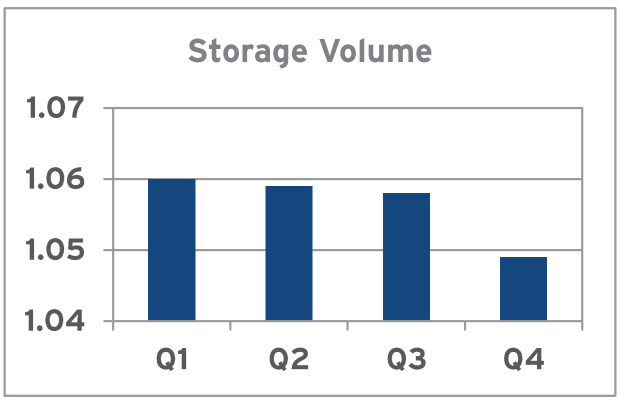
INTRODUCTION

In the early part of the last decade, many businesses began looking for KPIs and KRIs to help managers predict business outcomes and measure the success, or lack of thereof, of critical business drivers. The challenge of keeping the resulting KPIs simple and manageable was not immediately resolved, leaving many institutions with metrics that were either too narrow or too wide in scope. Some metrics were valuable only to select business units; other metrics were potentially valuable to the greater organization but seemingly lost in a sea of numbers and charts.

KPIs and KRIs are important because they allow institutions to measure what you deem is truly the most critical of goals, the dial movers. For the purposes of this guide metric and KPI are defined separately. A metric is simply a data point or a number, while a KPI is a specific measurement used to gauge performance relative to a business objective. A quick example can be seen in figure 1.

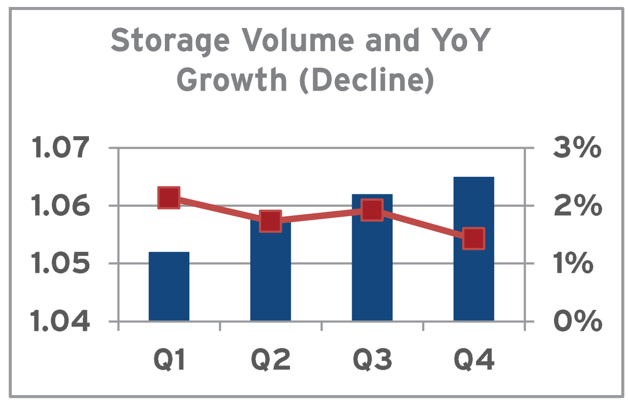
FIGURE ONE

METRIC



The data in this chart provide valuable information about storage volume, but do not provide the context of a business goal.

KEY PERFORMANCE INDICATOR



The data in this chart provide information that can be tied to a performance and offer a measurement of a business driver – an increase in storage, but a decrease in year over year growth.

After the financial crisis in 2008, we began to see a blending of strategic goals and risk mitigation, as the age of enterprise risk management (ERM) began to take shape and the role of the Chief Risk Officer (CRO) became more prominent within many banks and financial services companies. One of the many focuses of the CRO is to corral all of the measurement tools, (including metrics, KPI, and KRIs) to distill them into a single digestible risk tolerance framework, and use that to identify the key risk areas.

We are no longer in the "dawn of enterprise risk management." Every financial institution has built at least the foundation for measuring performance and risk. As a business unit dedicated to the company's records and information, it is our responsibility to filter down the data elements; moving from thousands of metrics to a handful of performance indicators, which can act as risk indicators and ultimately drive business strategy. Although establishing the overall strategic business goals should come from the executive level, it is up to the records and information manager to build flexible metrics in order to accommodate ever-changing KPIs. With this in mind, here are four simple rules for you to consider when producing KPIs:

1 KEEP THEM SIMPLE

Collection of data for KPIs should be simple and repeatable.

2 KEEP THEM RELEVANT

KPIs support critical business drivers.

3 KEEP THEM EASY TO UNDERSTAND

Avoid ambiguity, KPIs should provide an immediate view into performance.

4 KEEP THEM ACTIONABLE

KPIs are decision indicators for senior management.

Records and information management leaders are in a unique position because not only are KPIs and KRIs needed for general RIM oversight, they are also needed to convey performance to a variety of business owners in order to engage them as champions for their own success. RIM professionals are faced with the challenge of being the stewards of information, a collection hub of thousands of data points. While some business areas have adopted one process for measuring and reporting, other areas within the enterprise still operate in silos, using a different process.

For example, within your business unit, records and information management is concerned with, and must report on, the destruction of eligible records, both physical and electronic. In order to do that, records from other areas must be administered according to the RIM policy within the line of business. If one business unit fails to administer and report on their records in a manner consistent with the other units, then your KRIs may not accurately reflect performance. Aligning the aggregate RIM metrics, KPIs, and KRIs with those being measured from the various business units is critical to producing accurate measurements.

DEFINING SUCCESS — FROM METRICS TO KPIs

Albert Einstein once said, "Not everything that can be counted counts." This has not stopped most institutions from making an attempt to count everything. Perhaps it is because you aren't sure what will be important or maybe you were asked to measure something, then asked to measure something else, and just never stopped measuring the first thing. Either way, it is easy to see how quickly you can find yourself swimming in data.

It can seem daunting to create a strong performance measurement program. Many programs start with common metrics across both physical and electronic records (volume, meta-data statistics, etc.) with the goal of turning those metrics into more actionable KPIs. By using the core metrics surrounding your program as the building blocks of KPIs, you can begin to deliver relevant indicators that are tied to the business' goals.

KPIs and KRIs are linked to business goals, and as goals change, your indicators will too. This is why the following list of recommended RIM KPIs and KRIs are not set in stone. They represent the fundamental standard indicators that most records and information professionals should use to measure the performance and risk of their programs.

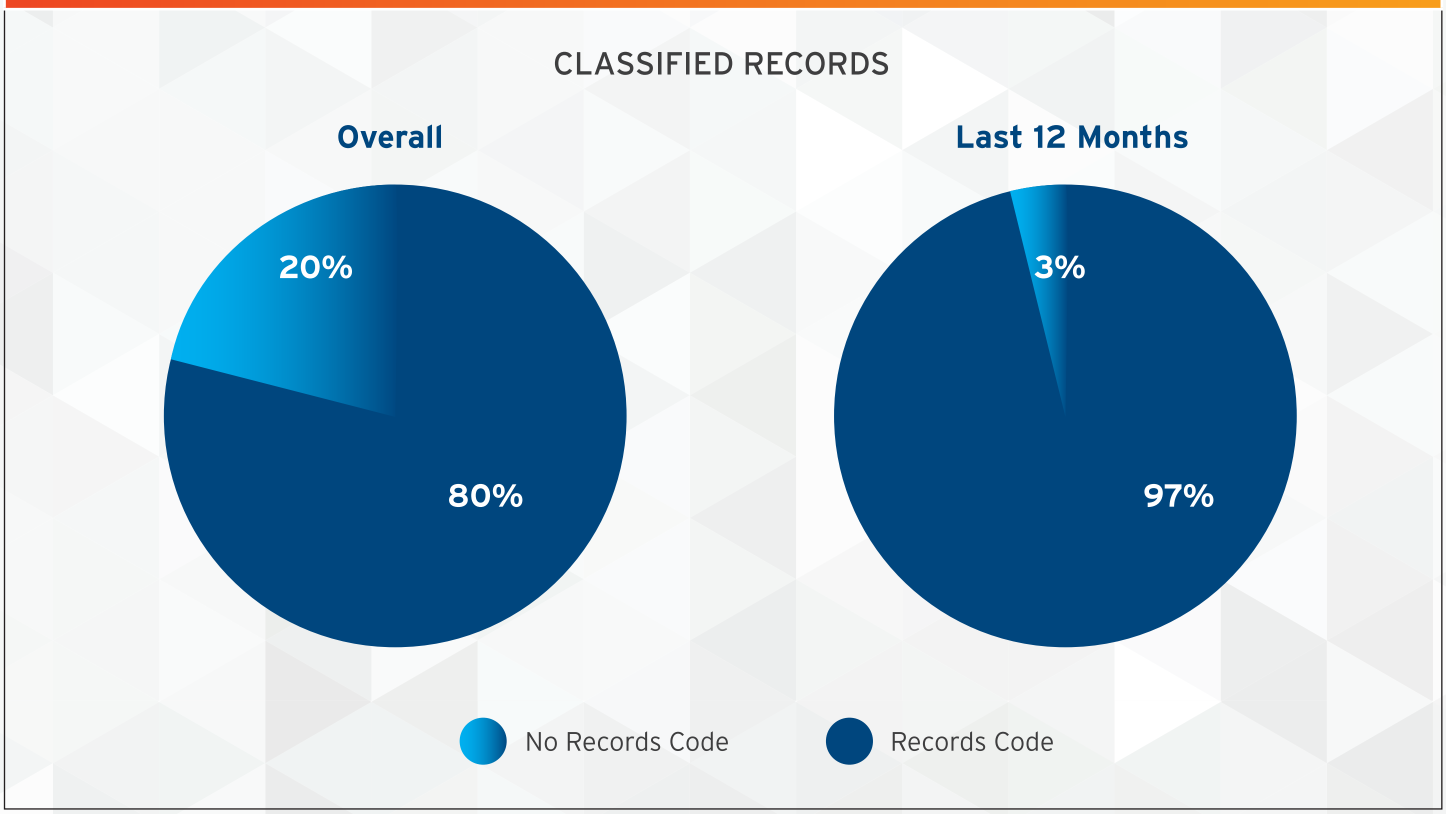
RECORDS AND INFORMATION MANAGEMENT KEY PERFORMANCE INDICATORS		
Inventory Trends	% Net Growth (Decline) Year-over-Year	Total storage volume vs. prior year
	% Added, last 12 months	Aggregate new volume added over last 12 months vs. beginning of period
Disposition	% Destroyed, last 12 months	Aggregate volume destroyed over last 12 months vs. beginning of period
	% Eligible for Destruction	Storage volume past retention date, not on hold vs. overall storage volume
	% with Destruction Review Date	Storage volume with a retention date assigned vs. overall storage volume
Meta-Data	% Not Classified	Number of records without records code vs. overall storage volume
	% Not Classified, No Primary Meta-data	Number of records without records code, ownership or description vs. total content volume
Inventory Status	% on Hold	Storage volume on hold vs. total inventory
	% on Hold, past retention	Storage volume on hold that is past retention date vs. overall storage volume
	% of Inventory Out > 60 days	Storage volume out for more than 60 days vs. total inventory in out status

KPIs should be highly actionable, meaning that they help drive behavior within the institution.

Once you've established or revised the list of core performance indicators you want to track, you will need to place those indicators in context. An example is illustrated below in figure 2. Knowing that 20% of your overall inventory lacks a record code may not provide the most meaningful KPI if you are trying to measure the success of a recent policy change. In this case, it may be more valuable to frame the KPI in terms of a specific, more recent time-period such as last 12 months or year to date. By refining the timeframe of the KPI to best match and measure the specifics of your own program, you will increase the value of the overall indicator and permit greater visibility into your program's performance.

KPIs should be highly actionable, meaning that they help drive behaviors within the institution. Just as one metric can be used to tell many stories, a KPI can be leveraged to support different drivers. For example, communicating the percentage of your records that lack all the primary meta-data (e.g., record code, ownership, description, etc.) may help call attention to the legal risks that "orphan records" represent. At the same time, the same KPI can be used to highlight the cost. Assuming that you are able to dispose of at least a percentage of the orphan records, you can compare the cost of archiving those records indefinitely against the clean-up cost associated to better classify, retain, and dispose of those records over time.

FIGURE TWO

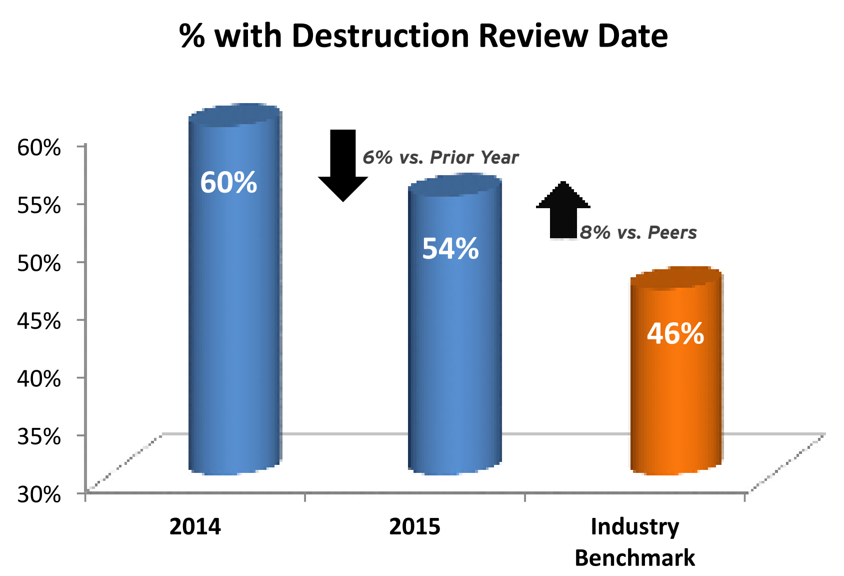


THE BENEFITS OF EXTERNAL BENCHMARKS

Even the most optimized information management program requires constant assessment, and while KPIs are instrumental in providing internal stakeholders a view into performance against business goals, they also need a frame of reference. Traditionally, KPIs are measured against past performance. However, by using only past internal numbers as the measuring stick, we fail to see how the program measures against other programs. In order to truly measure a program, a KPI requires both an internal and external benchmark.

Using the example in figure 3, if last year 60% of your program was classified with a destruction review date, and this year it is only 54%, you could quickly determine that performance and likely policy compliance were down by 6%. Measuring a program year over year will always be the first step in gauging performance. It is a critical comparison that can help you identify and illustrate risk and/or progress. But historical trend performance is only one component as it is an internal measure that only assesses your performance relative to yourself. It is also important to consider how you perform as compared to your peers. Using the same example, if the industry benchmark shows that similar companies within your peer group have only 46% of their inventory classified with a destruction review date then you would be able to present a more holistic view: Performance may be down year over year, but is still better than similar companies in your industry.

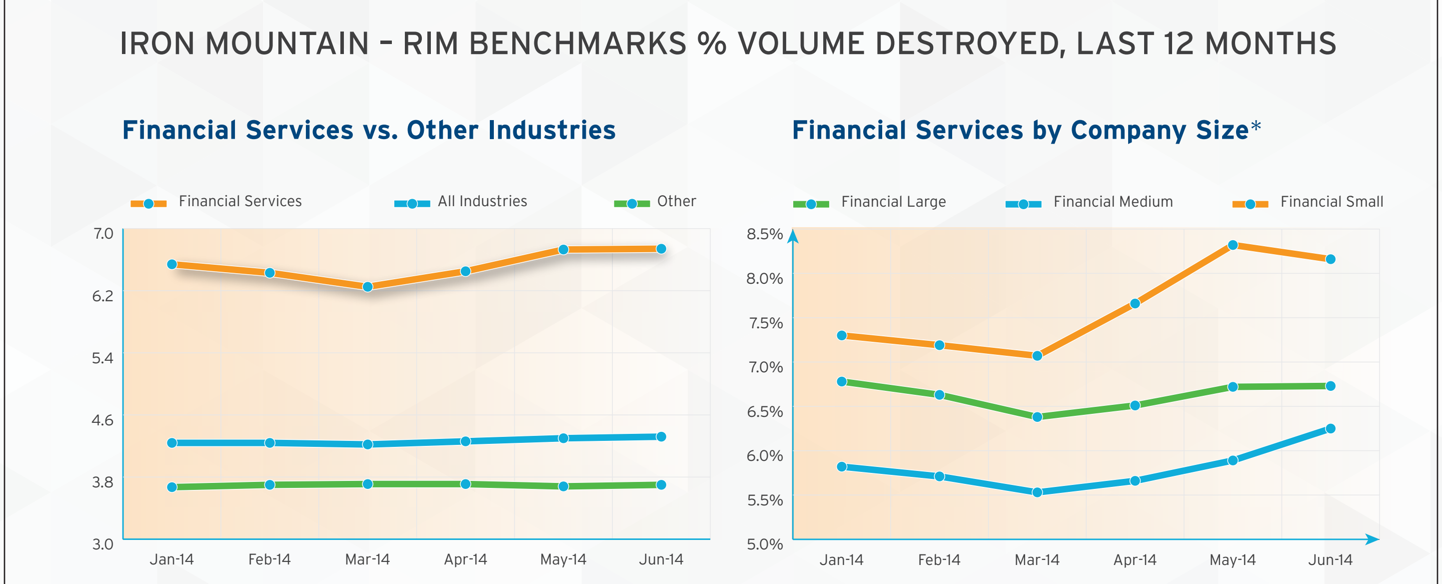
FIGURE THREE



When benchmarking your program externally, you need to consider what type of comparison will be most relevant to your organization. You may want to evaluate performance of similar institutions as defined by industry vertical or company size in order to make the assessment more valuable for senior management and help you accurately establish risk indicators for your key performance areas. On page 10, the left chart in figure 4 represents data from Iron Mountain comparing the percentage of volume destroyed from financial services and insurance companies to that of all other Industries. The chart on the right provides a breakout of the Financial Services benchmark by size of company in terms of annual revenues.

One of the four key principals of a KPI is to keep it relevant. In order for any performance indicator to be relevant, it needs to have context both internally and externally. External benchmarks add much needed context that allow RIM professionals and others to measure risk compared to other programs of similar size and industry.

FIGURE FOUR



*Company size is defined by annual revenue where Small is <$10M; Medium is $10M-$1.49BN; and Large is $+1.5BN

ONGOING CHALLENGES AND PITFALLS

The development of KPIs is not an easy task. At times, making sure that your KPIs are relevant and actionable may conflict with them being simple and easy to understand. As you develop more programs and implement more systems, it will be a challenge to maintain control over the short list of KPIs that are tied to the strategic goals.

In this section, we will review some of the common challenges we experienced while developing our own programs. This is not, by any stretch, an exhaustive list, but it will provide you with some additional benchmarking and potential solutions to challenges you are facing or may face as your program evolves.

BE FLEXIBLE

Being flexible is important in nearly every aspect of the RIM manager's role, and it is no different for the KPI process. Requests for different metrics and KPIs will come in constantly and often change mid-cycle. At times, these changes will reflect the natural change in the strategic drivers that are measured by the KPIs themselves; in other instances, they may be different business units requesting alternate or slight changes to existing metrics and KPIs.

It is important to remember that the goal is to keep the KPIs manageable. In order to establish KPIs that are relevant across multiple media types, business units, etc., RIM professionals need to understand and control the KPI process, and simplify the message to management and business units. Build in the flexibility to slice and dice the KPIs over time. Different constituents will want to see them differently – and their needs change too. By building in a measure of flexibility you will be better able to accommodate the different requests as they come in, without reinventing the process every time.

CONSTANT REVIEW AND CHANGE

KPIs will evolve. Reviewing the goals and KPIs internally at least every three months will help you stay aligned as a business. In addition to reviewing the KPIs with your internal business partners, the KPIs should be presented to senior executives at least semi-annually. This will serve two purposes: it will provide management with an overall view of the program, and it will also allow them to provide direction on where the program needs to go moving forward. From this semi-annual meeting changes to the KPIs may be necessary.

If you utilize outside providers for your records and information programs, reviewing the goals and drivers behind the KPIs will be an important step in building a solid KPI framework. As your business drivers change, the need for information and reports from your partners will change as well. Working with providers that understand your KPI requirements and can adapt to your changing business needs will allow you to report on needed KPIs without reinventing the wheel every time.

WHEN NOT TO USE EXTERNAL BENCHMARKS

There are times when you may want to perform differently than peers for a variety of reasons. Perhaps your process has been modified to accommodate a separate internal decision or has been impacted by systems integration. Whatever the reason, the benchmark may not provide an "apples to apples" comparison and, in fact, may present an unfair comparison point for your program. In these cases, the use of an external benchmark should be qualified with the audience so that you can address potential misunderstandings ahead of time.

The ability to obtain external benchmarks to measure your KPIs is essential to achieving a relevant KPI. However, obtaining external benchmarks is not always easy. It may be challenging to define the best peer-group for your company, and once you do, you may have difficulty obtaining the data for your KPIs. It is important to consult your vendors or industry groups to support your quest for this data.

AVOID BECOMING THE COLLECTION POINT

One of the challenges RIM professionals often encounter is that KPIs for records and information are not always developed by RIM professionals. In many instances, business units are telling RIM departments what KPIs need to be provided to senior management and, by doing so, are producing a laundry list of metrics and KPIs.

One best practice is to collaborate with the various business areas. Every KPI is linked to a strategic driver and the business unit owns that driver, but it should be the RIM department, with their knowledge of records and the metrics that are being produced, that determines and develops the KPI. A line of business may find value in a particular metric, but not all metrics are KPIs, and it is important to collaborate to determine which KPIs are important and manageable.

MANUAL VERSUS AUTOMATED

Collecting information from various input areas and distilling them into an actionable KPI takes time and resources. To expect that all of the metrics and analyses will be fully automated as soon as the KPI is developed is not realistic. KPIs are critical to the success of not only your RIM program, but also to the success of your organization as they provide senior management needed insight into the business. While the goal should always be to automate as much of the KPI process as possible, it may be necessary to adopt a manual process initially in order to meet business needs.

Having senior management on board with the KPI process is vital to expediting the automation process. If the KPIs have been aligned with strategic drivers at the senior management level, then executive sponsorship should be leveraged in getting the manual process automated. It is up to the RIM manager to raise the issue or be resigned to living with a manual and, at times, resource-intensive process.

ACCENTUATE THE POSITIVES

Using the KPIs to enact change and measure performance against business goals is important. KPIs demonstrate a risk, and should drive an action. However, it is easy to use the KPI to conclude what needs to get done or where business lines can improve. We are currently performing at Y and in order to get to X, we need to do Z. KPIs also can be a powerful tool for .encouragement by demonstrating how successful your program has ultimately become. It is important for you to celebrate internal wins as well – both big and small.

When reporting KPIs the key is to know your audience, and what is being asked. KPIs are steeped in metrics and data, and data can be managed up or down depending on how you want it to be presented. KPIs can be reported to management to demonstrate movement toward a goal, or as a means to point out deficiency in a current course of action. As the business owner, it is up to you to add this level of analysis.

IN CLOSING

For those that have spent any time working in or with sales, you should be familiar with the concept of the "elevator pitch," an exercise used to deliver only the most important message to a potential customer in a short amount of time. KPIs are not unlike the elevator pitch, in that, in order for KPIs to be successful, they need to be simple, relevant, easy to understand, and actionable. These four rules will help you stay focused on the true goal of KPIs, which is to provide a view into the most important elements of your program.

Key performance indicators are critical to the success of your institution, as they represent vital information used by senior management to drive decisions. KPIs are not to be taken lightly. With that said, the development of an actionable KPI framework, along with applicable industry benchmarks, will ensure that your company does not get bogged down with hundreds of KPIs that drain resources or are untenable.

KPIs need to be adaptable, as the business and regulatory environment change. It is important to remember that like the metrics and data that are used to build KPIs, it is a point-in-time capture of performance and requires constant support and resources. They must reflect the current and future goals and drivers of the company.

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