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7 Tips

For Developing and Applying a Functional Classification Scheme

Primary Level

Function

Function Example

FI - Finance

LE -
Legal Protection

Secondary Level

Activity

Activity Example

FI - Finance

FI12 - Project Cost Control

FI13 - Procurement

LE - Legal Protection

LE02 - Contract Administration

File Level

Taxonomy

Taxonomy Example

FI - Finance

FI12 - Project Cost Control

FI13 - Procurement

-01 Budgets

- 02 Monthly Cost Monitoring

LE - Legal Protection

LE02 - Contract Administration

-01 Engineering Contracts

- 02 Equipment Contracts

“Yes, but what does it do?”

Virtually any records classification scheme works by organizing corporate business records into a hierarchy of categories and subcategories. In addition to providing the backbone of an information access and retrieval program, this hierarchy can also provide the basis of corporate-level standards on records retention, vital records protection, and information security. But what is the best way to define those categories and subcategories? Corporate records are as complex and multi-faceted as the business they support. Of all the different attributes describing records, which is the most effective for purposes of a standard classification?

ISO 15489, the globally recognized standard for the design of records management systems, prescribes the development of records classification systems based on “an analysis of business activities.” The principle is relatively simple. Organizations create, use and retain records as support for their business functions. It makes sense to organize, access and manage those records in accordance with the same functions. A functional classification system meets that need by categorizing records according to the hierarchy of business functions and activities which they support.

But simple principles do not always mean easy application. All too often, records classification schema and associated retention schedules can become mired in subjective grey areas, organizational details, and generic document types which miss the essential business context of record creation. How, then, do we avoid these pitfalls and develop a records classification scheme which meets international standards and stays focused on the evidentiary and informational needs of business? The following tips are designed to help your organization return to the basic principles of functional classification, resulting in a record-keeping system which adds value for your business on a day-to-day basis.

Even when a record discusses or describes specific business processes, transactions and decisions associated with a given function, the function of the record itself may be altogether different.

Tip #1:
Stay with the Action

Functional classification focuses on the business functions, activities and processes that lead to records being made or received in the first place. It defines records as the concrete outcome of a real action. This focus can be lost if we attempt to describe the things that records are "about." Even when a record discusses or describes specific business processes, transactions and decisions associated with a given function, the function of the record itself may be altogether different.

Consider the example of a contract outlining information technology support services. The function of the contract is to execute a legal agreement between two parties. A possible classification category for this record might be identified as "Contract Administration." The fact that the agreement is "about" IT support does not mean it is a record of the IT support function. In contrast, a service log or request ticket is a record of the IT support function because they are generated to provide informational reference and evidentiary back up for IT support activities.

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DO NOT

Develop and apply functional categories based on the topical subject matter discussed in the content of records.

DO

Classify records based on the activity being performed by their creator when he/she made or received the record.

Tip #2:
Keep it in Context

Some attempts to automate or streamline the classification process for end users categorize records based on readily identifiable document types such as invoices, bank reconciliations, contracts, correspondence, and reports. This approach is not completely without merit, especially given the integral relationship that exists between every individual record and the business activity that it supports. Bank reconciliations typically support banking or account management functions, just as a business proposal is usually received in support of a procurement activity or tendering process.

But what happens when the tender is awarded and the successful proposal is added to a contract file? This example shows how a record's function is completely dependent on the business context in which the record is filed, used, and retained. Moreover, there is not a clear one-to-one relationship between business function and document type. Just as a record's function varies from one business context to the next, so too do all business functions supported by a multitude of distinct but interrelated records. Successfully organizing, accessing and managing any record therefore requires some analysis of the circumstances in which the record is made or received.

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DO NOT

Classify records based on individual document types. This is especially important for very generic document types, such as correspondence or reports, which can support virtually any business function.

DO

In describing the scope of functional record categories, provide examples of the type of documents which can provide informational and evidential support for the business activity in question. Classification training and user documentation should emphasize that such examples are illustrative rather than all inclusive.

Tip #3:

Leave your Org Chart on Ice

If an effective classification is based on a hierarchy of business functions and activities, it might seem logical to start with the organizational structure of the company, government department, or non-profit agency. After all, are not the Human Resource functions performed by the Human Resources unit, the financial functions by Finance, and so on?

But developing a records classification scheme which essentially mirrors your corporate organizational chart at the time of development is a bad idea. If the classification hierarchy looks too much like the organizational hierarchy itself, users will expect it to stay that way over time. This will require you to revise the records classification each time an organizational unit is merged, split or renamed. And what does this mean for records which were classified and stored under the old organizational category? Meanwhile, with every group expecting to find their own section in the classification, more generic business activities will need to be repeated across each group. The overall result is an oversized, repetitive information retrieval tool which is perpetually out of date, frustrating even the most basic day to day efforts at finding information and evidence.

In contrast, a purely functional classification scheme identifies and describes business activities independent of the departments, divisions and business units responsible for them. As much as possible, functional categories are named and described using more neutral language, with special care taken to avoid echoing the names of organizational units in category titles. This makes a functional classification scheme more immune to ongoing organizational change, while at the same time ensuring that a given category can be used by multiple groups across the corporation.

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DO NOT

Build a records classification scheme which imitates your corporate organizational chart at a single point in time.

DO

Use the organizational chart as a final checklist to ensure that your data gathering and class design address everyone's functions, activities and records, irrespective of who is responsible for them at a given point in time.

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Tip #4:
For the People, By the People

If effective records classification categories focus on the business activities driving records creation, then the most effective information sources for identifying those categories are the people who perform the activities. Even if they have little or no direct interest in the discipline of records management, managers and employees will be able to describe in concrete detail the different processes, tasks and transactions which they perform on a day to day basis, as well as the records which support such work. This input should also tap into the role that managers and employees will play as users of the functional classification once it is completed. By anticipating the information needs driving records retrieval and the evidentiary needs driving records retention, stakeholder input ensures that the category titles, scope notes, and records retention periods all respond directly to the requirements of the business itself.

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DO NOT

Replicate existing structures and practices for organizing paper and electronic records.

DO

Consult representative stakeholders from different departments, divisions and business units, focusing on the business activities that drive records creation, access and retention.

By anticipating the information needs driving records retrieval and the evidential needs driving records retention, stakeholder input ensures that the category titles, scope notes, and records retention periods all respond directly to the requirements of the business itself.

Tip #5:
Make a Long Inventory Short

Traditional approaches to records classification design often emphasize the role of a records inventory. The basic logic is sound enough: we are developing a system for organizing records, so let's assess and document what records are out there. But the inventory exercise can get out of hand, consuming months of employee time and vendor resources that might be better spent on a more strategic approach. In many organizations, the more detailed and time consuming the inventory, the more likely it is to become outdated before it is even fully completed. This situation can mean the worst of both worlds.

Like the organizational chart discussed above, detailed inventory data are descriptive rather than prescriptive, adding little systematic value beyond the point in time which it describes. At the same time, highly detailed information that has been collected too early in the program development process is prone to be outdated by the time your organization is ready to implement the program. In other words, any detail which can provide useful implementations support is no longer suited to meeting those needs.

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DO NOT

Spend many months inventorying and describing the content of every file drawer across your organization.

DO

Perform a high level check of record holdings as needed to validate and fine tune the functional descriptions collected during stakeholder consultations.

DO

Collect additional detail about record volumes, storage locations, media concerns and other key information closer to implementation time.

Tip #6:
It's Never Too Early to Think About Retention

With its focus on business context, functional classification allows records management professionals to categorize records more clearly and objectively. But no approach can eliminate subjective decision-making completely. When it comes to classifying records by business activity, this decision making comes into play for that small but significant portion of records which appear to support more than one activity. Or are the otherwise separate activities just interdependent processes within the same activity? Where does one activity end and another begin?

These types of questions should be decided on a case-by-case basis, but with as much objective analysis as possible. One possible key to such objectivity is to investigate the different legal and regulatory requirements impacting the prospective category or categories. Are any of the in-scope records subject to direct records retention requirements? How long are those requirements? Are any of the business transactions and processes subject to limitation periods governing litigation, prosecution, monetary claims, and other actions? Do these retention and limitation periods require that any records within the prospective category be retained for a much longer time than other records within that category? If the answer to that question is yes, then two or more categories might work better than one applying one category and retaining significant volumes of records longer than needed.

! **DO NOT**

Combine records with permanent or very long retention requirements (e.g. 30 years) with large volumes of records with much shorter retention requirements (e.g. 1 year, 2 years).

! **DO NOT**

Subdivide record categories just to address minor differences in retention requirements(e.g. 6 years vs. 5 years).

✔ **DO**

Identify related but separate records categories where necessary to address drastic variations in retention requirements (e.g. 30 years vs. 2 years).

Tip #7:
Be Prepared to Think Outside the Bucket

One emerging trend in records classification is popularly referred to the 'Big Bucket Approach.' While exact definitions of this concept may vary from one RM practitioner to the next, the basic concept is the same: make classification and application of RM rules (e.g. retention periods) simpler by having fewer categories. Fewer categories means the categories can be broader in scope, hence the term 'big bucket'.

This approach can be a natural fit for functional classification, provided that the buckets themselves are defined in terms of business functions and activities. The trick is to make sure the buckets aren't too big. Relegating huge masses of paper or electronic records to the same category negates the role of a corporate records classification as an information retrieval tool. Some big bucket proponents might counter this point with the argument that corporate-level categorization is aimed more at establishing corporate-wide retention periods and other rules than attempting to anticipate specific business units' retrieval patterns. But even that argument does not eliminate the potential challenges associated with excessively large buckets. For example, consider the potential retention impacts of having all financial accounting records in the same 'bucket.' Various provisions of both US and Canadian tax law allow for assessment of outstanding taxes or investigation of fraud at any time without limitation. Should all records of any accounting-related activity be retained permanently? What would this mean in terms of physical storage costs and ongoing migration of electronic records? At the other end of the retention spectrum, what if all accounting records were destroyed after six, seven or even ten years? What kind of legal or tax risk would that entail given the longer term liabilities that exist in law?

> Detailed inventory data are descriptive rather than prescriptive, adding little systematic value beyond the point in time which it describes.

! **DO NOT**

Create classification categories so broad and general that they negate the potential of the classification to assist in records retrieval, retention, and other key RM processes.

✔ **DO**

Break broad corporate functions (e.g. Financial Management) down into distinct activities (e.g. budgeting, accounts payable processing, tax filing).

✔ **DO**

Where appropriate, factor retention and other RM decisions into the separation of categories (see Tip 6).

Don’t make “buckets” too big: Relegating huge masses of paper or electronic records to the same category negates the role of a corporate records classification as an information retrieval tool.

Get the right system

A corporate records classification can provide the focal point for developing and implementing an effective records management program. By dividing an organization’s paper and electronic records into categories, the classification provides a common language for describing records and a much needed structure for applying corporate-level decisions around retention, information security, vital records protection, and others. But not all approaches to classification are equal in meeting those needs.

The functional approach outlined in this article directly responds to the business needs driving records creation and retention by defining records in terms of those very same needs. By applying the tips outline above, you will be in a much better position to develop and implement a core records management tool that works in the specific business context of your organization.

Talk to TAB

Need help with your functional classification system? TAB can help. Visit our website or call us for more information.

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