

Contacts:

Bob Tarzey
Quocirca Ltd.
+44 1753 855794
bob.tarzey@quocirca.com

“IT managers of European enterprises are concerned about far more than just compliance when it comes to handling the issues that govern their businesses”

RESEARCH NOTE:

This report includes data collected from interviews with 300 senior IT managers from enterprises in Germany, UK and France.

The research was sponsored by VERITAS Software and EMC Corporation; we thank them for their support.

Email and Corporate Governance: Europe plc's position on compliance and data retention

Email is the most widely used business communications tool and is responsible for the majority of exchanges by employees, both internally and externally. It is the interactions between individuals that comprise much of a company's business records, consequently the records kept of the day to day business activities are more detailed than ever. This data can be valuable to businesses if managed well, but if not it can be their undoing.

- **IT managers of European enterprises are concerned about far more than just compliance when it comes to handling the issues that govern their businesses**

When asked about the drivers behind good corporate governance, positive ones like protection of brand name, customer confidence, productivity and competitive advantage all figured as highly as negative ones, like avoiding fines, litigation and regulatory compliance.

- **They also recognise that the right IT infrastructure and processes can help them achieve these goals and cover most of the demands of regulatory compliance at the same time**

Only 13% felt they needed a separate IT solution for each regulatory area, the remainder believing that only slight modifications were required as new regulations came into force.

- **The core demand on IT departments to enable good corporate governance is to keep the right information and to be able to retrieve it when required**

The volume of data stored these days by enterprises is huge, over 90% measuring it in terabytes. For 75% this data goes back 5 years or more. Knowing what data can be safely deleted and when, is going to make long term IT management simpler.

- **Today email is by far the most important record of employee communications that businesses are storing**

38% of those who were able to make an estimate said email was already over 25% of all data stored, but 90% said this had been increasing and expected it to continue doing so. More importantly, for both internal and external communications, email now represents over 60% of the person to person communications made by employees of European enterprises.

- **This increasing reliance on email has benefits for businesses as well as providing challenges**

Email is the only truly threaded communications tool, recording all of what was said, by who, when and who else was made aware. This is a lawyers dream both in attack and defence.

- **Businesses need two levels of control to help manage email**

Email that is never accepted into the business is not a legal entity; the same is true of email that is never sent. Email filtering can ensure that the ones that get stored are relevant to the business and conform to predefined rules.

- **Rules need to be set about what email is stored and for how long**

Email communications vary in importance. Many can be safely deleted after a set period of time, but others need to be kept for longer if they are from a particular department or individual. This will vary across organisations and countries.

- **As part of a well managed IT infrastructure, good practice regarding email will ensure businesses are in a good position to meet their objectives around good corporate governance**

Today few IT managers claim to be fully in control of their ability to meet the demands of corporate governance, most are still working it out, which is not a problem as long as they keep heading in the right direction. A small minority remain complacent and some of these should be worried if the authorities come knocking at their door. On the whole Europe plc has things under control, but could do better.

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Introduction

The IT industry often stands accused of exaggerating the problems their customers' face in order to persuade them to over invest in its products. Many think the most blatant example of this was the "Y2K" problem, when we were told of all sorts of far reaching dangers if action was not taken. January 1st 2000 dawned and there were very few problems. Had the IT industry saved us from certain doom with their timely recognition of a forthcoming problem or had it all been hype?

Y2K was a one-off opportunity for the IT industry and no-one could easily test its validity – taking the risk that the industry was wrong did not seem an option for responsible organisations. But the industry continues to seek out other ways of bringing pressure on their customers to invest. Currently one of the most prominent is to suggest that businesses will not be in a position to comply with wide ranging legislation unless they buy new and upgraded software packages.

A succession of IT salesmen are pouring through the doors of "Europe plc" with tales of doom about legal cases brought about by the failure to comply with Sarbanes-Oxley, Basel II, HIPPA etc. and how their products can help prevent all this. Much of this will be because they are regurgitating marketing material prepared for the US market and not designed to address the concerns of European businesses.

While each piece of legislation will have certain relevance for each individual business and where it does matter there will be a deadline for its introduction, none of these add up to the apocryphal dead line of Y2K. So there is time to take a more measured approach to these issues and consider if compliance really is something to be worried about and if it is, what action should be taken and does this require any specific investment in IT.

The aim of this report is to better understand the pressures governing European enterprises and to understand how well adapted the IT infrastructures and practices are to cope with these.

"Focussing on the positive reasons for good corporate governance will make day to day management more rewarding"

To this end we interviewed 300 senior IT managers equally spread across the three largest European markets; Germany, UK and France.

The intended readers of this report are both business and IT managers who are responsible in some way for helping to ensure the good governance of their organisations. For them it offers a peer review and some practical advice for ensuring their IT systems are sufficiently enabled to address concerns they have in this area.

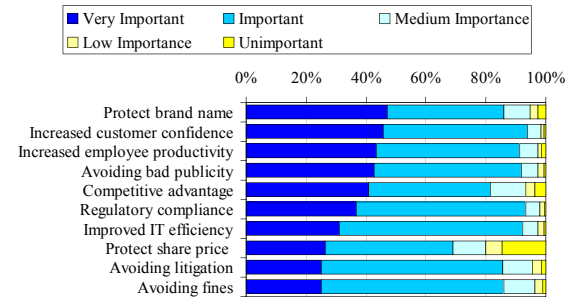
Good governance is about identifying and managing all data types that exist within an organisation - physical (paper), databases, discrete files and ad hoc data that has been disseminated across an organisation in the form of email. The latter of these – email – is now the most important of all, both by volume and in its importance for recording the day to day activities of businesses and it is email that is the main focus of this report.

Beyond compliance

IT vendors in Europe, who base their messaging around corporate governance on just compliance, are wide of the mark. Compliance may be the run away concern of US based enterprises, this report does not address this, but it is certainly not so in Europe.

That is not to say that the senior management of European enterprises are not concerned about the possible ramifications of poor corporate governance, but that it is about far more than just compliance. The respondents to our survey rated a wide range of other issues as highly as regulatory compliance when asked about the drivers for good corporate governance (figure 1).

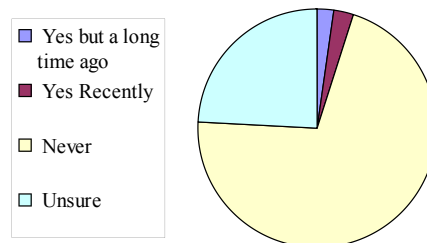
Figure 1 How important are the following drivers for ensuring good governance in your organisation?



This included a number of negative drivers like avoiding litigation and fines, but positive ones like protecting brand name, customer confidence, productivity, competitiveness etc. were all rated as highly.

Management will be aware that a small number of their peers have been the subject of legislation and this will be enough to make sure they address the negative effects of poor governance (figure 2), but focussing on the positive reasons will make day to day management more rewarding, and with the right infrastructure and practices it should be possible for the IT department to be responsive to the business's requirements in all areas.

Figure 2 Has your business, rightfully or wrongly, ever been sued due to a breach in meeting records management regulations?



Indeed, if a single infrastructure can be developed to address all issues around corporate governance then European enterprises and their IT suppliers avoid a major headache, because even around the narrow issue of compliance there

are a wide variety of regimes to be satisfied. Most European organisations pay the greatest heed to their national regulations and despite the efforts of the EU; Europe is still a very heterogeneous place.

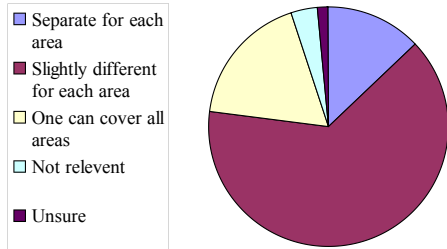
“Less than 20% felt that a completely separate solution was needed in each area”

Alongside this, the majority of European enterprises acknowledge that they also have to comply with industry and international regulations to a greater or lesser extent. This means that the idea of adapting IT infrastructure and practices for every new piece of legislation is ludicrous. Fortunately most European enterprises do not see it this way.

Less than 20% of those covered by this survey felt that a completely separate solution was needed in each area (figure 3).

Figure 3

Do you believe you need a separate IT solution to comply with each of these regulatory areas?



So, IT vendors need to focus on supplying European enterprises with general purpose solutions that are robust enough to cope with the demands of all the regimes that affect them and if they are good enough to do this, then they are good enough to cope with the broader corporate governance requirements of their customers.

“Anything that helps keep the total volume of data down and makes searching that which is kept is going to make life easier. Increasingly this requires better management of a specific type of data – email”

What do businesses really need?

Adapting IT to support the requirements of good corporate governance is not rocket science. It all comes down to being able to do two things:

1. Keeping information that needs to be kept
2. Being able to find stored information when it is needed, often urgently

Most European enterprises are now managing terabytes of data (figure 4) much of it going back years (figure 5). Requests to retrieve data for legal reasons are not uncommon (figure 6).

Figure 4

Roughly, how much data do you have stored electronically? (excludes backups)

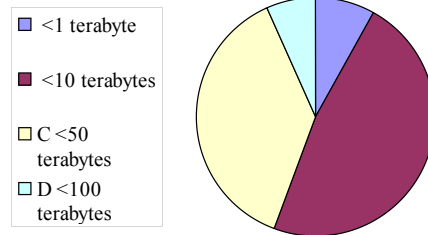


Figure 5

How many years back does your electronically stored data go?

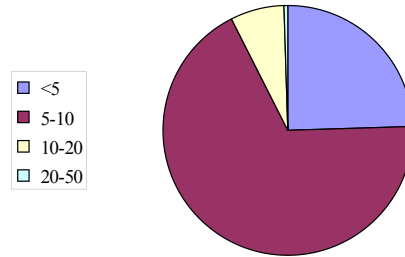
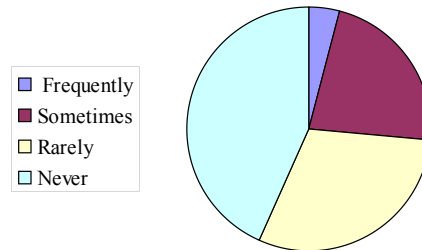


Figure 6

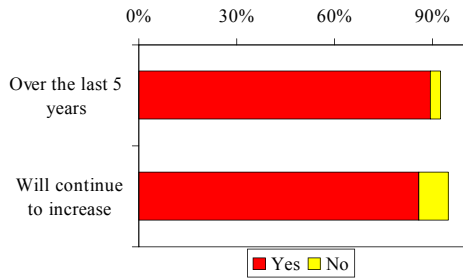
How often have you had to retrieve vital information that the business requires to resolve a legal issue?



Anything that helps keep the total volume of data down and makes searching that which is kept is going to make life easier. Increasingly this requires better management of a specific type of data – email.

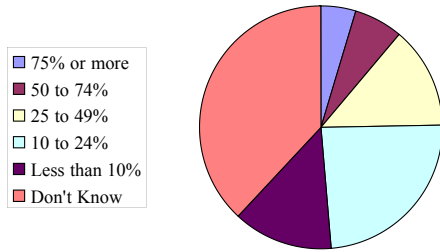
As the total percentage of stored data, email has been increasing relentlessly and European enterprises expect this to continue (figure 7).

Figure 7
Is the percentage of data stored as email increasing?



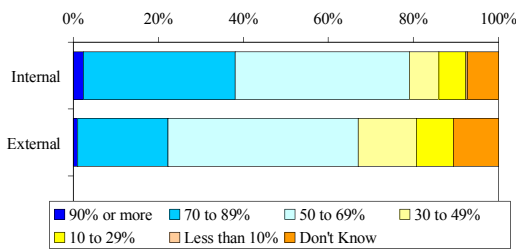
Some estimate that email is already over half of all data stored, although 40% simply didn't know what the figure was (figure 8).

Figure 8
What % of the data you have stored is email?



But total email by volume is not the best measurement. Across the board, email is already used for over 60% of external and internal communications (figure 9).

Figure 9
What percentage of person to person communications do you estimate to be done via email?



A short email of a few kilobytes is more likely to leave a business exposed than a large document of many megabytes. The email is more likely to have been written in haste and may only be scrutinised by a spell checker, if at all. A document, on the other hand, is likely to have been carefully written and thought out and been subject to review by colleagues. In short – email is the soft under belly of most

businesses when it comes to corporate governance. Does this mean businesses should be restricting the use of email?

“In short - email is the soft under belly of most businesses when it comes to corporate governance”

The email conundrum

Arguably the increase in the use of email for communications is a good thing. Email is the only truly threaded means of communication whereby a full history of all that was “said” by the communicants is preserved. Times and dates are automatically recorded as is who received copies. It is even known if recipients opened them or not.

Being able to prove something was communicated, when and to whom is a lawyer’s dream whether in attack or defence. Emails can be deleted from the desktop but servers can easily be configured to keep copies of everything that passes through them. This is all well and good, but what about those increasing email volumes?

99% of stored email is probably never looked at again. But it is the potential that a message might need to be looked at again that matters. There are several steps that can be taken to help control the volume. First, there is asserting some control over what comes in and what goes out of an organisation.

Emails that are never accepted into a business are not legal entities. An edge filtering system that rejects email based on predefined rules can cut out huge volumes. Many organisations are now doing this, primarily to control junk email (spam), but they can also be used to stop all emails coming from certain domains, e.g. an organisation that the business does not want contacting its employees for whatever reason.

Similarly an email which never reaches its target recipient is not a legal entity. Filters that check sent email have been around for many years. It is common to use such filters to add a disclaimer of some sort to externally bound emails. Both internal and external email can be checked for sensitive content and employees can be restricted from communicating with certain outside organisations. This is not to say that action cannot be taken against an employee who sends an indiscrete email, even if it is stopped by a filter, preventing it from reaching the intended recipient.

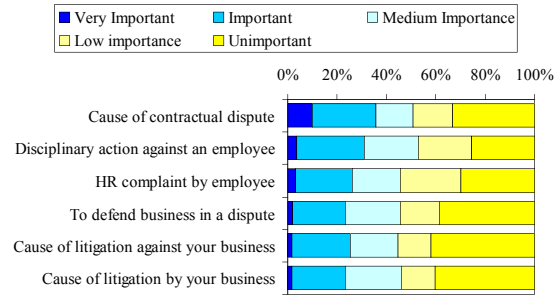
“More than half said email had been important in a contractual or employee dispute”

Good filters, in-coming or out-going, can be tweaked at the user or group level depending on privilege. But filters are not that intelligent and employees have to be trusted to make good use of communications tools.

Unfortunately, intentionally or otherwise, people will misuse these tools and this has increasingly led to email being the cause of, or instrumental in, the resolution of disputes (figure

10). More than half said email had been important in a contractual or employee dispute.

Figure 10
Have email communications ever been important in any of the following situations?



This underlines the need to examine all email that has passed the scrutiny of filters and become a legal entity and to decide whether to keep it or not. 98% of respondents to this survey agreed that email security was important for ensuring good corporate governance.

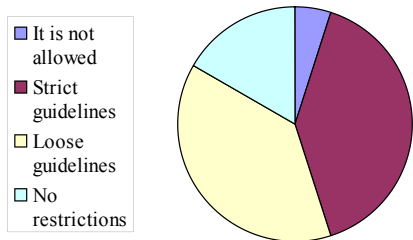
Deciding what to store can be automated with the right email archiving product. The rules for deciding what to keep need not be complicated:

- “By default all email will be kept for 3 years”
- “Except email to or from an employee in the legal department when it will be kept for 7 years”
- “And email with large attachments of the type *.pdf or *.ppt will only be kept for 3 months”
- “Emails which are clearly of a personal nature will only be kept for one year”

Rules can even be written which ensure that emails which contain references to certain compliance issues (Basel II, HIPPA etc.) will be kept for a period dictated by the needs of that legislation.

Few organisations banned the use of personal email (figure 11), but most had guidelines for its use. Just as for business communications, the personal use of email is cheap and efficient.

Figure 11
Do you restrict your employees’ use of email for personal communications?

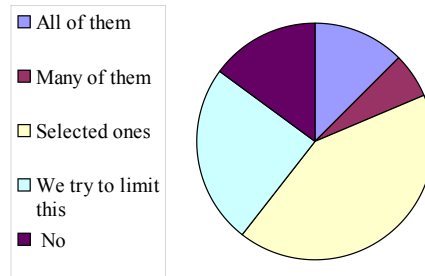


Personal email will be subject to the same filters as business email. Disallowing its use will encourage employees to use

other forms of communication like web mail, instant messaging or the telephone.

Confidence in email archiving will also help reduce another surprisingly persistent habit of enterprises which is maintaining paper copies of electronic documents including email (figure 12).

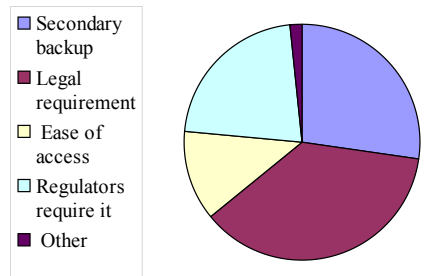
Figure 12
Do you print out and keep paper copies of electronic documents?



60% of respondents said they did this because they felt it was a legal or regulatory requirement. This may still be true for some industry regulations (e.g. health care and financial services), but these are rapidly disappearing and there are no wide ranging EU or national regulations that require this.

Some were printing electronic files purely as a secondary backup (figure 13). This is completely unnecessary with good archival and electronic backup and would undermine any environmental claims an enterprise wanted to make in its non-financial report.

Figure 13
If yes is it for any of the following reasons



“Confidence in email archiving will also help reduce another surprisingly persistent habit of enterprises which is maintaining paper copies of electronic documents including email”

Finally, one other benefit of good email archiving is that employees can be encouraged to use their email boxes to store things. Rather than restricting mailbox size as many enterprises still do, they can switch to unlimited storage, controlled by archival policies. Good retrieval software will allow employees to find things again, and it will encourage them to store data away from the desktop/laptop which is an inherently insecure place. The business then has easy access to far more information than would otherwise be stored in unreachable locations.

Easy access to information for the business means it is easy to respond to the rules that govern the business. So how well is Europe plc doing today?

Could do better

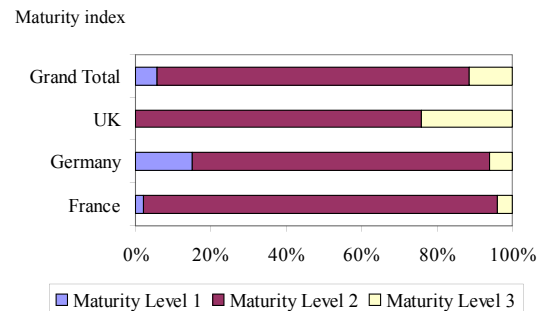
Having an adaptive infrastructure and processes in place allows businesses to respond to the changing requirements of corporate governance and the compliance regimes that form a subset of this. Of course, most organisations backup all their data on a regular basis and this includes email. But not all of them have selective archiving of email and are likely to be keeping too much of it for too long. Others will go the other way and not keep it for long enough. Either way these are not hard problems to solve.

“Good retrieval software will allow employees to find things again, and it will encourage them to store data away from the desktop/laptop which is an inherently insecure place. The business then has easy access to far more information than would otherwise be stored in unreachable locations”

All of the respondents to our survey were senior IT managers. Among the respondents of this survey 3 levels of maturity were identified based on questions asked about their level of knowledge around corporate governance and of their confidence of keeping up with its demands (Figure 14 and Appendix A).

“Having an adaptive infrastructure and processes in place allows businesses to respond to the changing requirements of corporate governance and the compliance regimes that form a subset of this”

Figure 14



- Maturity level 1 - Companies that are over optimistic. They have a poor knowledge but think they can keep on top of things. They are not taking adequate measures and will fall foul of regulatory bodies and, in the worst cases, legal systems. They will also have serious competitive and efficiency related issues.
- Maturity level 2 - Those who are still working things out. At the moment they are likely to be addressing each issue as it comes along and could improve their IT infrastructure and processes to better address the requirements of corporate governance. They are likely to be safe from a regulatory, legal and business support perspective, but they will incur significant and unnecessary costs, both in terms of initial implementation and on-going adjustment and maintenance of multiple disjointed solutions.
- Maturity level 3 - Those who are aware and in control and realise that the problem has to be thought of at a generic level. It is about the storage, tracking and subsequent rapid discovery of related unstructured data. They have the problem solved, the rest is detail.

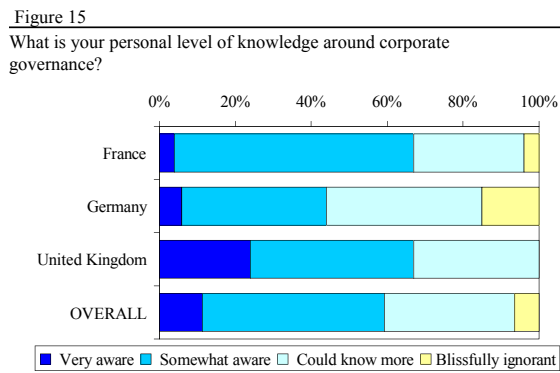
Fortunately for “Europe plc” those at maturity level 1 are few and far between. The majority are at maturity level 2 and could benefit by making further investments to join the prudent organisations at maturity level 3 that already have things under control.

The infrastructure and process to do this can be layered on existing investments and should not be expensive or time consuming to implement. They can be designed to address all the business’s electronic information, including one of the most vital – email. The additional investment now, if well thought through will enable IT managers and the businesses they support to be confident in their ability to adapt to the changing requirements of corporate governance and the associated regulatory regimes. And with that level of confidence they will be able to judge vendor propositions around corporate governance far more objectively.

Appendix A – The Corporate Governance Maturity Index

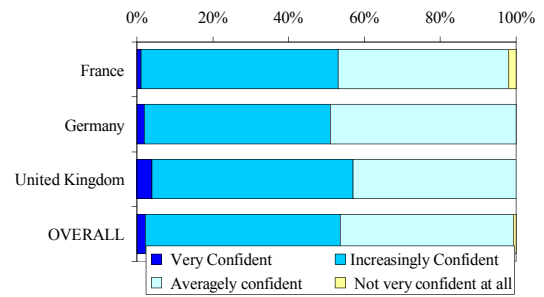
The maturity index referred to in figure 14 was constructed based on the responses to two questions asked during the interviews.

The first asked about the respondents' personal level of knowledge around corporate governance (figure 15).



And the second about their ability to deal with issues around corporate governance as they evolve (figure 16).

Figure 16
Overall, how confident are you in your ability to deal with corporate governance requirements cost effectively as they evolve?



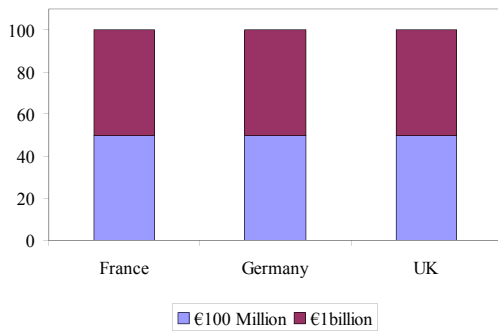
Level 1 (the bottom) were those with a poor knowledge but confident they could deal with the issues. The majority were in the middle, having some knowledge and pragmatic about their confidence to manage. A small number were at maturity level 3, aware and in control.

Appendix B – Profile of respondents

The research behind this report included interviews with 300 senior IT managers, spread equally across UK, Germany and France. Half the sample was large enterprises (€1 Billion + turnover) and half were small enterprises (€100 million to €1 billion turnover).

Figure 17

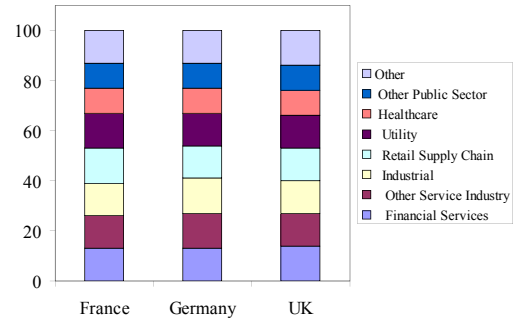
Business Size – number of respondents by country



Within each country a widespread of vertical sectors were included to ensure that the collective opinion was representative.

Figure 18

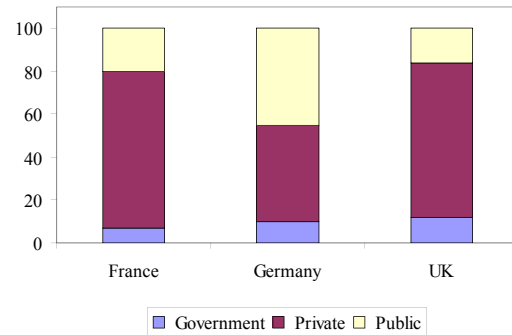
Vertical Sector – number of respondents by country



The sample included both privately and publicly owned organisations as well as a small number of public sector organisations.

Figure 19

Business Ownership – number of respondents by country



About VERITAS Software

VERITAS Software, one of the 10 largest software companies in the world, is a leading provider of software and services to enable utility computing. In a utility computing model, IT resources are aligned with business needs, and business applications are delivered with optimal performance and availability on top of shared computing infrastructure, minimizing hardware and labour costs. With 2004 revenue of \$2.04 billion, VERITAS delivers products and services for data protection, storage & server management, high availability and application performance management that are used by 99 percent of the Fortune 500. More information about VERITAS Software can be found at www.veritas.com



About EMC Corporation

EMC Corporation is the world leader in products, services and solutions for information storage and management that help organizations extract the maximum value from their information, at the lowest total cost, across every point in the information lifecycle. Information about EMC's products and services can be found at www.emc.com

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About Quocirca

Quocirca is a research and analysis company with a focus on the European market for information technology and communications (ITC). Its analyst team is made up of real-world practitioners with first hand experience of ITC delivery who continuously research and track the industry in the following key areas:

- Business Process Evolution and Enablement
- Enterprise Applications and Integration
- Communications, Collaboration and Mobility
- Infrastructure and IT Systems Management
- Utility Computing and Delivery of IT as a Service
- IT Delivery Channels and Practices
- IT Investment Activity, Behaviour and Planning

Quocirca research is always pragmatic, business orientated and conducted in the context of the bigger picture. ITC has the ability to transform businesses and the processes that drive them, but often fails to do so. Quocirca's mission is to help its customers improve their success rate.

Quocirca has a pro-active primary research programme, regularly polling users, purchasers and resellers of ITC products and services on the issues of the day. Over time, Quocirca has built a picture of long term investment trends, providing invaluable information for the whole of the ITC community.

Quocirca works with global and local providers of ITC products and services to help them deliver on the promise that ITC holds for business. Quocirca's clients include Morgan Stanley, Oracle, Microsoft, IBM, CA and Cisco. Sponsorship of specific studies by such organisations allows much of Quocirca's research to be placed into the public domain. Quocirca's independent culture and the real-world experience of Quocirca's analysts, however, ensures that our research and analysis is always objective, accurate, actionable and challenging.

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Contact:

Quocirca Ltd
Mountbatten House
Fairacres
Windsor
Berkshire
SL4 4LE
United Kingdom

Tel +44 1753 754 838
Email info@quocirca.com

The logo for Quocirca, featuring the word "quocirca" in a lowercase, sans-serif font. The letters "qu" are blue, "o" is red, "c" is black, "i" is red, "r" is black, "c" is black, and "a" is black.