Cost Justifying Document Management

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Overview

It’s a large leap for businesses to make when they take the decision to implement a system by which their documents are filed and managed electronically. After all, it’s a departure from convention and traditional business practices.

Times are changing fast, and with these changes, business managers are realising that they can no longer afford to stay with historical filing systems as their competitors embrace the future. Research has shown that electronic document management frees time, frees office space and increases an organisation’s efficiency – when it’s implemented properly.

This white paper addresses the principles of today’s document management systems and the current market trends. It also covers the ways in which businesses can actually quantify the return on investment (ROI) of implementing an electronic system or the scanning of their documents onto CD. As every business is different, this paper should be used in conjunction with the practical guide provided (the Data Capture Solutions ROI tool) to help you calculate the ROI of digital filing for your business.

The picture to date

The growing acceptance of electronic documents is a relatively new development in the business world. Our traditions and business values used to hold us fast to the concept that a hard or paper copy of a document would supersede an electronic copy in legal admissibility. Nowadays, however, it’s not unusual for us to receive invoices electronically, to conduct Internet transactions and to communicate important information via email rather than snail mail.

The law has developed and been carefully worded to accept electronic documents in certain formats as legally binding evidence, and companies are no longer required by law to hold hard copies of certain documents in their record-keeping systems when an electronic system meeting necessary standards has been implemented.

It’s only the technological advances of the last ten years that have brought this state about, but they’ve given rise to a whole new industry in scanning and solution sales. This industry is being built on the successes of earlier digital filing rollouts for businesses large and small.

To use a comparable example, computers themselves were viewed with suspicion and invoked a fear of the unknown twenty years ago. Once their potential outside the science laboratory was identified, they began to be adopted in the workplace by forward-thinking businesses. Once word got around that these machines were saving time, space and increasing efficiency, businesses were forced to embrace the technology to stay in the race for success. Eventually, the stage was reached when inefficient typewriters were replaced by PCs and now, to see an office without a PC on each desk is a great rarity.

The same evolutionary developments are happening in document management, and they’re happening now. To ignore the benefits of electronic document management systems is akin to throwing your PC away in favour of the efficiency of a typewriter.

“Before attempting to justify investment, a business must undertake a thorough needs analysis.”
Defining EDMS solutions

So, what exactly do we mean by an ‘Electronic Document Management System’ for businesses?

Perhaps unsurprisingly, business documents can be taken to mean absolutely anything that a business might require on paper or on a computer. This includes all accounting information such as purchase orders and invoices, all communications – both internal and external, vital employee records, research data, health and safety guidelines, building and maintenance plans, and just about everything in between.

Whatever you currently store as hard copy (whether A4 pages, A0 plans or microfilm formats) has the potential to be scanned and indexed onto a central or departmental database.

Documents that would normally remain inside a filing cabinet are scanned and saved generally either as .tif files or as .pdf files in a read only format. This means that they can’t then be altered by a user and that their integrity is ensured. For documents which need to be altered or added to, such as spreadsheets or accounts information, a simple audit trail keeps the integrity of the information assured.

The scanned information can either be held simply on CDs and retrieved when necessary, or it can be uploaded onto an EDMS.

There are hundreds of different EDMS solutions on the market at present. With business needs and document reliance differing wildly amongst companies, one solution certainly doesn’t fit all. Most systems are customisable and will run across a network, intranet or extranet. Access can be restricted if necessary, and scheduled system back-ups make sure that your information is never at risk of being lost through system failure.

Most EDMS solutions are database driven. Once scanned, documents are attributed electronic bookmarks or indexing information allowing them to be retrieved through a search based on any given number of fields. This brings file retrieval time down to seconds in many cases and gets rid of the headaches and sore feet associated with hunting down historical paper files.

Modular computer systems allow for easy adoption and integration of EDM solutions. Whilst some elements of an IT infrastructure would need upgrading, most of the peripherals are unaffected by the new additions.

One aspect that it’s important to note, and which will be addressed later, is that an electronic system is often not just a replacement for filing cabinets. Those companies extracting the most benefits from EDMS are those that also examine the way in which their documents and systems impact on their day to day work. Efficiency of workflow is something that can be maximised through the process of carefully choosing and implementing an EDMS solution. The benefits of this do in turn have a real financial impact.

“The growing acceptance of electronic documents is a relatively new development in the business world.”
Why the demand for EDM solutions?

Whilst there’s a large number of reasons as to why businesses are turning to Electronic Document Management solutions, most rest on the restrictions and disadvantages of traditional, paper-based filing systems as seen in the light of comparison with new electronic versions. Systems that we never questioned before are now considered outdated. Much of this is down to efficient use of staff time and how much time staff waste hunting for elusive documents.

The Gartner group produced a report in 1998 entitled ‘10 ways to waste time on document management’. It identifies reasons as to why businesses should adopt EDM in non-automated environments with average time wasted quantified:

1. Documents are hard to find 1 hour
2. Document content is hard to manipulate and re-purpose 1.5 hours
3. Documents are hard to update 1 hour
4. Documents are hard to share 1 hour
5. Document content is hard to publish consistently 30 minutes
6. Document creation is an ad hoc process 30 minutes
7. Document review is an ad hoc process 30 minutes
8. The importance of a document’s content is not obvious 30 minutes
9. Time costs of paper distribution, storage, copying & printing 1 hour
10. Archiving expensive to maintain and inefficient for retrieval 30 minutes

The combination of all these elements reaches a total of 8 hours per week. Most members of staff will rely on filed documents at some level in their jobs. With this as an average figure, it can be reasonably assumed that every member of staff spends 8 hours per week working within the constraints of a paper-based system. If a business manager were to calculate the average hourly wage and multiply this by the averages here, then it’s a simple calculation as to how much a paper-based system is costing a business in efficiency.

Naturally, by reducing the length of time spent managing documents, the costs incurred are also greatly reduced. A conservative estimate is that a two thirds saving might be achieved. For a company with 100 members of staff working in document managing related roles, the cost of the filing system can be reduced from £312,000 per year to £104,000 – a saving of £208,000. By looking at your filing as an overhead that’s ripe for reductions, what appeared at first to be unquantifiable (how do you quantify efficiency?) becomes a real saving.

The Data Capture Solutions ROI tool allows you to enter your own company staffing figures to provide an accurate picture of the cost savings your business might achieve.

Other figures available also support this thinking. A paper system relies on human input to make it work properly. Not surprisingly, human error causes costs to file retrieval and replacement time. Coopers & Lybrand calculate that 7.5% of all paper documents get lost and 3% of the remainder get mis-filed. Losing 7.5% of 10,000 documents means that 800 documents might need replacing or might never be found.

For businesses with many thousands of stored paper files, space can be a real problem. Not only does filing literally eat office floorspace, but if all are stored on one site, the risk to those documents from fire or flood could feasibly cripple your business should disaster occur. Electronic documents are obviously unaffected by such occurrences, as long as your system back-up files are stored off-site. Were your company HQ to suffer a fire, once the IT infrastructure was rebuilt, your files could be uploaded in minutes, whilst in the interim, CDs can be accessed from any PC.

A wander around your office would show you how many filing cabinets you currently accommodate. The floorspace savings of removing the cabinets might allow for more efficient use of the remaining space and even reduce your rental overhead.

Rather than simply focusing on the downsides of paper filing, there are a number of benefits specific to EDMS:

- **Information Sharing.** Files can be viewed simultaneously by a number of users across multiple sites or divisions.
- **Improved customer service.** Rather than taking details and calling a customer back with answers to queries or order updates once files have been found, details can be available on screen in seconds.
- **Long term file preservation.** Historical files can be sensitive to both light and humidity. Regularly accessed files deteriorate and faxes fade. Scanned documents are preserved indefinitely.

Calculating the projected return on investment is more of a difficult task. EDMS benefits such as space saving and staff efficiency might be quantifiable but putting a figure on the ‘softer’ returns of improved customer service is harder still as it reflects a whole shift in a company’s approach to working practices.
Justifying investment - a practical guide

Before attempting to justify investment, a business must undertake a thorough needs analysis. There are a number of different approaches to EDMS, and each will take a business down a different route.

The outcome depends greatly on the nature of documents, the processes usually followed and potential efficiencies identified by electronic management. To illustrate this point, take an Accounts department as an example. For an invoice to come into the office, be copied twice and delivered by hand to a department head for authorisation can take days. To then be returned, delivered to the Accounts head for authorisation and then to be entered into the system would take further time. For companies with a large throughput of invoices, it would pay for them to scan incoming invoices and use internal email to circulate such documents. Further functionality additions to an EDMS would streamline the payment process at every stage.

To clear office space, some businesses would be suited to simply archiving documents that are rarely referred to but which need to be retained. Scanning to .tif files on disc would enable the paper documents either to be destroyed or to be stored for the long term off-site. The scanning itself would be an outlay, but would, over time, inevitably be compensated by the space-saving and staff efficiency level as less time is needed to locate a file.

A step on from this would be to use a system such as Alchemy, available through DCS. A modular scalable system allows businesses to take the elements they need, with documents saved in a way that means they can be transferred across system upgrades and to more complex applications with ease.

More complex EDMS solutions are also available and can be tailored to suit the current and projected needs of an organisation. They can be integrated with existing network formats and customised with additional modules to ensure convenient file sharing capability and to utilise advanced security features when required.

For larger organisations, a needs analysis should be prepared with consultancy assistance. A large capital investment needs solid projected returns to justify the initial expenditure. Consultancy can help identify the ‘what if’ factors and suggest different system architecture to gain maximum ROI. Once a system has been implemented, an in depth, ongoing result measurement exercise should also be planned.

So, what considerations should a company address when analysing current costs and potential savings?

1. Paper costs. If correspondence or invoices have to be sent by post, then automatically saving a file copy to the EDMS will halve the paper costs. If they can be sent electronically, then paper costs are further reduced.

2. Print costs. This covers both the costs associated with desktop printing and photocopying. If files can be copied electronically, then photocopiers begin to be surplus to requirements. Rental and maintenance costs can be cut along with the incidentals such as toner and ink.

3. Storage and retrieval costs. In this, include the liability to your business in the instance of document loss, and the time it takes staff to locate files, maintain filing systems and re-file documents once used. How much floorspace could be libered and how might you be able to streamline your workforce through an EDMS?

4. Debtor days. Improved document movement – or workflow – means that getting accounts transactions authorised is much faster, you get your invoices out and in turn pay your own debts more quickly. Filing documents centrally gives your accounts department access to all the information they need to chase aging debts.

5. Distribution. This covers internal and external posting costs. Why send by post when you can email documents much faster, more reliably and for a fraction of the cost?

6. Expected costs of system purchase, scanning and maintenance.

These factors are all listed in the Data Capture Solutions ROI tool. Simply enter your company’s figures for an estimate of cost savings. Then add to this figure the ‘soft’ or non-quantifiable elements and ways in which the right EDMS system can help your business grow.

The final analysis summary of the tool will outline an estimate of how long it would take you to recoup your initial investment, and the projected savings over years 1 and 2. Conversely, this figure can be interpreted not only as savings but as profit growth.

It also identifies where the greatest benefits are to be found for your particular situation. This could be in reduced running costs or on space saving. This shows you how or where to concentrate your efforts to make the EDMS solution work harder for your bottom line.
Summary

Calculating ROI on an electronic document management solution is based on more than just educated guesswork. By analysing the common factors that encourage us to turn to technological solutions in preference to traditional, labour-intensive business processes we can get an accurate picture of the quantifiable financial returns.

In such a competitive marketplace, solutions are available and affordable to suit even the most diverse business needs, and most reputable providers will offer a consultancy service to assist Financial Directors in cost justifying their decisions. The Data Capture Solutions ROI tool is intended as a guide. Further consultation and business analysis will give an even more accurate picture of the potential.

EDMS solutions have developed beyond recognition since their conception, and now’s the time for companies to take advantage of the benefits available. Modular systems ensure that businesses won’t find their documents or systems outdated in two years time, and vital aspects such as regulator, tax or customs legal requirements will always be adhered to if best practice principles are followed.

When the savings are outlined as clearly as within the ROI tool, astute decision makers can’t ignore the benefits of new methods of working. Making IT work to our advantage is the basis of modern business, and now effective electronic document management is part of achieving that essential competitive edge.

DCS is a dedicated document scanning company that counts the Ministry of Defence, BAA, Transco and the Home Office amongst its clients. Helping companies preserve and manage their documents is their core business.

From compact storage to complete document management solutions, Data Capture Solutions are an independent, trusted industry name with ISO9001 accreditation across all areas of business.

Friendly, knowledgeable staff provide a full service from initial consultation through to final delivery and ongoing support to ensure a workable solution and client satisfaction.

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