Document Management – What is it and Why do you need it?
The Benefits and ROI of an Electronically Managed Document Environment

In its simplest form, Document Imaging is the practice of converting your paper-based records to electronic files. Once these files are converted, they are indexed by specific 'keyword' information, stored in a structured system, and retrieved through your company's network or over the Internet. Document Imaging alone can help an organization generate new efficiencies and dramatic cost savings, such as eliminating the costs associated with storing paper.

Document Management takes Document Imaging several steps further. Document Management is the process of managing the entire lifecycle of paper-based, or electronic (i.e. Word, Excel, email) documents. Document Management provides a simple and efficient way to input, retrieve, manage revisions (managing multiple versions of a document), collaborate, track and retain all of the unstructured data that doesn't already exist in your organization's enterprise resource planning (ERP), customer relationship management (CRM), supply chain management (SCM), and other computer systems.

Why Document Management is a 'Must Have'

Document Management experts report that today up to 90 percent of all corporate information resides on paper or some type of unstructured format. Further, the Document Management technology available today requires little or no organizational change while providing amazing benefits. That's why Document Imaging and Document Management solutions are becoming must-have technologies for organizations of any size.

When we look at running a business, there's typically an unrecognized cost of operating and maintaining a paper-based filing system. Although companies have to use paper, many industries and organizations become inundated with it. Medical practices, law firms, real estate and lending companies are all paper-intensive industries. Managing that volume of documentation is, for most, a time-consuming, labor-intensive, customer-facing process that eats away at the bottom line.

Take the medical industry, for instance. Doctors' offices have an entire wall full of paper files and an established routine of pulling and re-filing patient charts. Study after study shows that even in these highly organized paper-based systems, it still takes an average of six minutes to pull and re-file a chart.

Now keep in mind that this six-minute statistic is drawn from highly efficient paper-based filing systems. The small to mid-sized business (SMB) today can expect a slightly longer timeframe to pull and re-file a contract, accounting record, personnel file, or any of the other documents that may be needed on a day-to-day basis. This unnecessary time spent searching for files or pulling documents adds up to money wasted and efficiencies lost.

Here is further research from Coopers & Lybrand (now PricewaterhouseCoopers), on the time and money spent on paper in today's typical organization:

- Of all the pages that get handled each day in the average office, 90 percent are merely shuffled.
- The average document gets copied 19 times.
- Companies spend $20 in labor to file a document, $120 in labor to find a misfiled document, and $220 in labor to reproduce a lost document.
- 7.5 percent of all documents get lost, 3 percent of the remainder get misfiled.
- Professionals spend 5-15 percent of their time reading information, and up to 50 percent of their time looking for it.
- There are over 4 trillion paper documents in the U.S. alone - growing at a rate of 22 percent per year.

Affordable Document Management for SMBs

As with many technologies, today's Document Imaging and Document Management solutions are far more affordable than those sold in the 1990's. The primary reason for this dramatic price decrease is the lower cost of hardware. For instance, a scanner manufactured in the early 90's that scanned eight pages per minute through its automatic document feeder (ADF) cost upwards of $30,000 and would easily take up half of a desk. Today, some entry-level scanners can process up to 66 images per minute and are on average the size of a household toaster. In addition, the street price for these efficient, smaller form factor machines weighs in at under $1,000.

And yet with hardware becoming more affordable, the decrease in software price has not followed suit. Most imaging systems available today still carry a low to mid five-figure price tag for the software alone. For an enterprise company, this cost is justified given the large volumes of documents. However, SMBs cannot justify such a high cost of entry and most cost analyses offer unrealistic volume assumptions for the small business. Consider the following scenario:

- Company generates or receives 100 important paper documents per day that must be filed.
- 100 documents x 6 minutes to file each = 600 minutes filing per day.
- 600 minutes per day = 10 man-hours per day.
- 10 man-hours per day x $15 per hour (inclusive of benefits and burdens) = $150 per day.
- $150 per day x 250 working days per year = $37,500 per year.

If a company commands these volumes, the associated costs are accurate and the above analysis is a great tool to show how companies can save time and money by implementing a Document Management system. Yet again, many SMBs can't afford such a large investment given their smaller volumes.

For example, a typical SMB may only receive or generate 20 important paper documents a day that must be filed. Using the same example as above, if the same calculation formula was used, filing these 20 documents in a paper-based system will cost up to $7,500 per year. And that is only the 'time cost' of a paper-based system – there are still many other hidden costs, such as off-site storage expenses, on-site space usage, filing supplies and document distribution expenses including overnight shipping and mailing.

Further, the above analysis does not take into consideration that in paper-based systems, not all documents can be found. Whether someone misfiled the document or it is sitting on someone's desk, lost or misfiled documents cost companies time and money.

So, what's the going average for lost or misfiled documents? According to a study by PricewaterhouseCoopers, "7.5 percent of all documents get lost and 3 percent of the remainder are misfiled." This means that, on average, roughly 1 out of 10 documents can't be retrieved as quickly, as they should, if at all. Taking this further, paper-based files can only be in one place at a time. Therefore, files are typically copied and re-filed, both of which can cost businesses a significant amount of money.

Understanding the True Cost of Managing Paper

As mentioned before, there can be many hidden costs to a paper-based system. Storage is a prime example. A larger organization that stores documents offsite through a service averages 20 to 50 cents per box, per month and upwards of $10 per retrieval. However, many organizations overlook the costs of storing documents on-site. The average four-drawer filing cabinet requires eight square feet to operate (that's accounting for the cabinet's footprint and the space to open the drawers). These costs can add up. Here's an example:

Let's take an average of $1 per square foot lease cost for office space. A single file cabinet will cost a company $96 per year in space cost alone. With electronic document management, the average image scanned at 200 to 300 dots per inch (dpi) requires about 50KB of disk space. That means companies can store around 1 million pages on a 50GB hard drive. For $50 a company can store the equivalent of 100, 4-drawer file cabinets full of paper on a single, 50GB hard drive.

The costs outlined to this point are quantifiable hard costs. In other words, they are costs that can be easily calculated and directly attributed to a paper-filing system. In most organizations, these are the only costs taken into account when justifying the purchase of an imaging system. Oftentimes, these costs are enough justification given they are the quantifiable and absolute.

Soft cost, however, can be difficult, if not impossible to quantify, as part of the cost justification or ROI (return on investment). Yet, they can have a significant impact on a company's bottom line. Enhanced productivity and better customer service are just a couple of the many soft cost considerations. Others include:

- The ability to answer a client's questions and email or fax supporting documents with just a few mouse clicks while they are still on the phone can prove to be a great customer retention tool.
- Allowing multiple users access to the same document, at the same time, while minimizing the risk of being misfiled, can also show soft cost savings by improving an organization's productivity.

Document Management technology today provides many benefits that are impossible to achieve in paper-based filing systems. For instance, imaging systems today typically index every word on every page for search and retrieval. Companies are not limited to specific key fields such as client name or transaction date to search. For example, assume a company wants to locate every document that exists in the organization referring to Product "X." In a manual filing system, this would take an enormous amount of time if it could be accomplished at all. With electronic filing, this process takes just seconds.

Lastly, electronic Document Management systems can assure that an organization is prepared for the worst of scenarios. The natural disasters that have impacted our world in recent times including tornados, earthquakes, tsunamis, and hurricanes have been a somber awakening. Beyond the tragic loss of life, many businesses and government agencies struggled to maintain business continuity and found themselves at a standstill, uncertain of what to do next. The lack of a solid business continuity plan is crippling. Further, these disasters have shown that having all your companies assets on paper can bring business to a screeching halt.

According to Gartner Inc., two out of five organizations that experience major data or records loss due to a natural or man-made disaster go out of business within five years. With an appropriate Document Management system in place, companies have the ability to store backups of their records offsite, which greatly increases the likelihood of organizational survival if a business is struck with disaster. In many cases, a business can have its documents restored in a matter of hours and be able to continue operations.

Taking a Realistic Approach to Quantifiable Costs

When analyzing a company's current paper-based filing system versus an electronic system, it is important to look at all costs from a realistic perspective. The safest route to justify the procurement of an electronic system is to only focus on those quantifiable costs. Although soft costs, such as better customer service, are often a lure into the purchase of such systems, the hard cost savings alone should justify the purchase. However, it is important to be certain that hard costs are realistic. If any component of the hard cost models shown above is exaggerated, the justification can be skewed.

	Paper Filing System	Document Imaging/Management System
Document Retrieval	• Can take minutes to days. • Onsite documents (if properly filed/re-filed) are retrieved relatively quickly. • Archived files stored off-site take much longer and cost far greater to retrieve. • Document retrieval is limited to basic file information such as client number, transactions date, etc.	• All documents (working and archived) can be searched and retrieved in seconds from your PC from anywhere in the world via a Web connection. • Document retrieval is enhanced. • You are not limited to only key index information but can search every word on every page in your entire document repository.
Missing/Lost Documents	• On average, 7.5% of all documents get lost and 3% of the remainder get misfiled.[1] • Lost documents are costly to reproduce and can have legal ramifications. • Missing documents can take up to 10 times the amount of time to retrieve as properly filed documents.	• Once a document is in the system, it can never become lost. • With proper backup procedures in place, disaster recovery can occur very quickly.
Document Filing	• Can take minutes to days. • Requires manual document filing.	• PC-based input and/or automated filing features dramatically reduce filing time.
Document Collaboration	• Impossible unless copies are made. • The average document gets copied 19 times during its life.[1]	• Since the documents are digital, multiple users can access the same file at the same time.
Document Output/Delivery	• Mailing physical documents can take days while express courier services can be extremely costly. • Faxing is a better solution but still carries costs and document quality is degraded.	• Instantly print, fax or email document to anyone in the world. • You can also grant secure, direct access from anywhere in the world with an internet connection.
Storage Requirements	• Roughly 1 file cabinet per 10,000 pages stored. • Each cabinet will require roughly 8 square feet of office space (enough for the cabinet's footprint with its drawers open).	• Files reside on electronic media. • On average, 50KB of electronic storage is required per black & white image. This calculates to roughly 20,000 pages per GB or 1 million pages per 50GB. A 50GB hard drive can be purchased for under $50.
Security	• Lock and key security only. • Either an individual has physical access or they do not. Inability to set multiple security levels for a single file folder.	• Multiple levels of security to access documents. • Rights-based security levels can be applied so that only specific users can perform specific actions (such as deleting a file).
Disaster Recovery	• Inherently vulnerable to acts of man or nature.	• With proper backup procedures in place, off-site copies of the backup can be used to restore a system on new hardware in a very short time frame.

[1]Coopers & Lybrand (PricewaterhouseCoopers)

Conclusion – Put Document Management to Work for You

Today's businesses are continually looking for efficiencies and cost savings. An end-to-end document management system can provide SMBs with a solid business continuity plan, more efficient use of space and time, as well as enhanced customer support. With little to no disruption to the business and a justifiable cost of entry, an electronic Document Management solution is a highly efficient solution that provides an impressive return on investment and lets businesses focus on what's important – the bottom line.

About Questys Solutions
Originally founded in 1980 and headquartered in Mission Viejo, Calif., Questys Solutions provides professional document management software for the needs and budgets of today's small business and mid-size enterprises. Questys Pro, the company's flagship document management software designed exclusively for SMBs and vertical markets, is available through authorized resellers and distributors. For more information please visit www.questys.com or call (877) 362-6246.