

CONTROLLING
COST AND RISK
THROUGH
OUTSOURCED
DOCUMENT
MANAGEMENT

A Frost & Sullivan Whitepaper

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INTRODUCTION

Corporate executives of companies large or small, in every industry, around the world are facing a myriad of challenges in almost every aspect of managing their business documents. New and revised compliance and regulatory legislation at industry-specific, local, or national levels always seems to be a Top-of-Mind issue and has a direct impact on document retention policies. The unabated rise of costs for quality human resources and property locations in global business centers such as New York, London and Hong Kong is also a major concern for organizations that need proper management of, and timely access to, large numbers of business files. More focused attention on natural and man-made disasters has highlighted the need for continuity planning and operational recovery with regards to vital records. Finally, today's shareholders expect that all of these issues will be addressed in a low cost manner so that companies can focus on increasing their bottom line and overtaking their competition.

When confronting document management challenges most organizations still seem to develop ad-hoc solutions on a reactive basis. What companies overlook by using this approach is the fact that they are taking unnecessarily high risks with their businesses and are likely paying more than necessary for the solutions they need. This happens because improvised in-house solutions or the use of multiple vendors for different aspects of a document management program can duplicate efforts, result in too broad of a solution or create significant process inefficiencies.

Through this whitepaper Frost & Sullivan aims to help companies of every size, in any industry and geography understand how the proper deployment of a document management solution can be part of an overall risk management practice. To do this we will first define what business risk is and then review the four methods most often used to handle it in corporate settings. After we understand business risk in general we will relate it to document management within companies by reviewing specific risks found in multiple industries and highlighting their potential financial and operational impact on organizations. From there we will briefly go over the adoption of a document management solution, what concerns usually drive companies to consider document management along with what events often delay or derail implementation. Finally we will examine several components available through most document management solution providers, explain why they should be important to end-users in every industry and validate how their effective use, along with associated best practices, can reduce expenses and mitigate risks in today's global environment.

UNDERSTANDING BUSINESS RISK

The concept of risk in business operations is a topic of much discussion and often carries with it a negative connotation. However, regardless of industry, geography or company size an organization must be willing to accept a certain amount of risk across a wide spectrum of variables, the culmination of which is often referred to as a risk profile, if it wishes to continue as a going concern.

Shareholders in companies public or private, large or small explicitly or implicitly define a company's risk profile. This can be done through the buying and selling of stocks or bonds, shareholder votes and activist campaigns among other things. The culmination of these activities results in a profile that includes the level, numbers and types of risks an organization is willing to accept as it attempts to maintain and create shareholder value. At the end of the day it is the fiduciary responsibility of business managers to make certain their company operates in congruence with shareholder expectations.

The day-to-day decision making processes undertaken in all organizations across the globe normally serves to keep a company on course with regards to its stated goals and objectives. What most company executives do not realize, however, is that these decisions, when accumulated, can have a dramatic affect on the risk profile of the organization and may actually move it outside of the parameters set forth by company shareholders. An unseen shift in risk profile can make a company less competitive, overlook opportunities, or even become insolvent.

To combat the possibility of misaligned expectations within and outside of the organization every company should complete a self-audit of the risks it faces and develop its own comprehensive risk profile. Self-audits starting at business unit levels and working up through the organization will help company directors understand the perceived risks as seen by various levels of management allowing for a comprehensive risk profile to be completed.

After a company has a full grasp of its risk profile it can decide what it wants to do with various risks; this can include:

- **Accept Risk** – These risks usually come from necessity and promise a greater opportunity for gain than loss and can include spending on R&D, expanding operations into new locations or making strategic acquisitions
- **Insure Risk** – These risks are usually associated with man-made or natural disasters including fire, flood, and theft to name a few
- **Outsource Risk** – These risks are normally back-office or operational in nature but are not the main business focus of an organization including things such as maintenance, accounting, document management and others
- **Avoid Risk** – These risks are viewed as unacceptable by an organization and its shareholders because it is deemed to have a greater chance of loss than gain

By completing this process an organization will understand its own risk/reward ratio, come to understand that not all risk is bad and take advantage of certain risks that afford growth opportunities for the business.

BUSINESS RISK, COSTS AND DOCUMENT MANAGEMENT

In speaking with companies that utilize document management solutions it is easy to pick out which costs and risks are most common across all industries. In the following paragraphs we will visit the top three risks companies face with regards to document management.

Natural disasters and man-made occurrences since the start of the millennium have helped corporate executives realize there is a pressing need for organizations of all sizes to have an all encompassing disaster recovery and business continuity plan in place. Somewhat ironically, by preparing for rare regional disasters companies have also prepared themselves for less publicized but more probable “local” disaster such as fires, floods, extended power outages and other related occurrences that they had been overlooking.

One of the most important components of a disaster recovery program is a document management solution that backs-up both digital and physical vital records. If a company does not actively back-up its vital records it exposes itself to great amounts of risk that can make it impossible to fulfill contracts, collect payments or defend against legal proceedings. The overall costs to a company if one of these instances takes place could be devastating to the point of financial insolvency. Since customized document management solutions are readily available to companies of every size at relatively low costs there is absolutely no reason for an organization not to outsource these risks.

Compliance and regulatory legislation, be it industry-specific, local, or national, now seems to affect document management in virtually every industry imaginable. These mandates often cause worry for even the most experienced corporate executives because they are often very intricate, sometimes open to interpretation and directly impact a company’s document management policy. Compounding the problem is the fact that these regulations are normally not congruent across multiple geographies and are likely to undergo multiple revisions before becoming finalized. Since these cases are relatively common, business managers see compliance and regulation in general as a moving target.

Similar to disaster risks mentioned above, outsourced compliance and regulatory document management solutions remove the “moving target” risk many companies face meaning they will not unknowingly violate regulatory statutes. By removing the risk of violations companies also mitigate potential costs such as large fines, suspensions of business licenses, forfeiture of patent or copyright protection and even shareholder lawsuits.

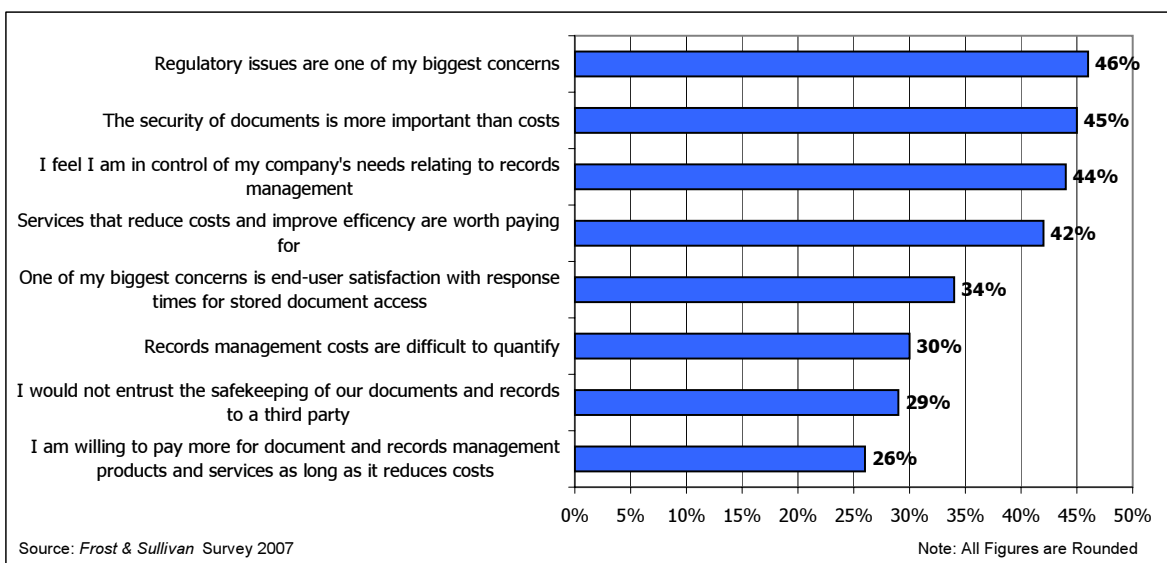
Certain industry practitioners including legal professionals, financial services firms and health care providers to name a few are inundated with vast amounts of paper data vital to their operations. Unfortunately these large stores of records are often coupled with requirements which stipulate long-term maintenance and storage. These factors result in

high costs for large organizations in at least two ways. First, companies need to have human resources dedicated to accessing, storing and securing the documents. Additionally, businesses must maintain facilities for the documents which can result in higher-than-desired property expenses. Outsourced document management solutions can reduce these costs by reducing paper files through imaging solutions or storing infrequently accessed files off-site.

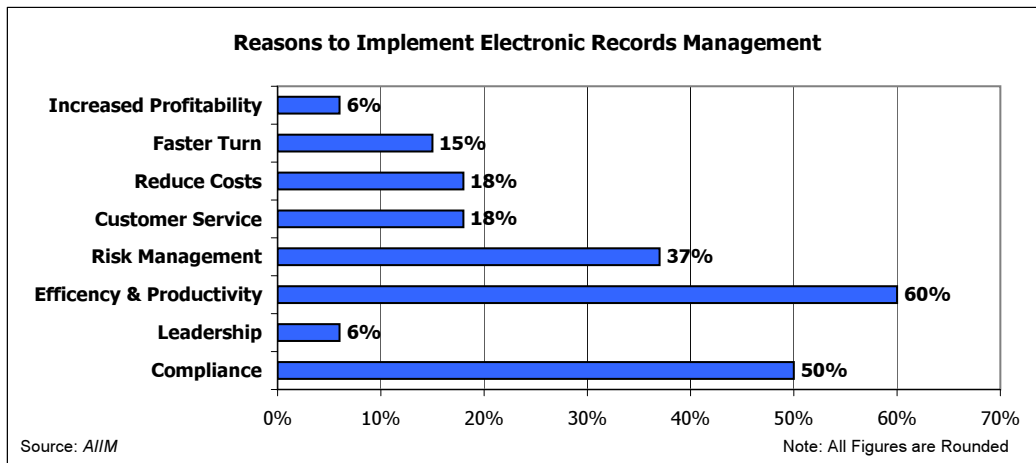
ADOPTING DOCUMENT MANAGEMENT

Over the past year Frost & Sullivan and AIIM, the Enterprise Content Management Association, have completed separate surveys into the thought process taken by companies when implementing document management solutions. Research focused on several aspects important to the overall process including what concerns companies had about records management in general, what drove, or would drive, them to consider document management solutions, and finally what obstacles needed to be overcome before a document management solution could be implemented.

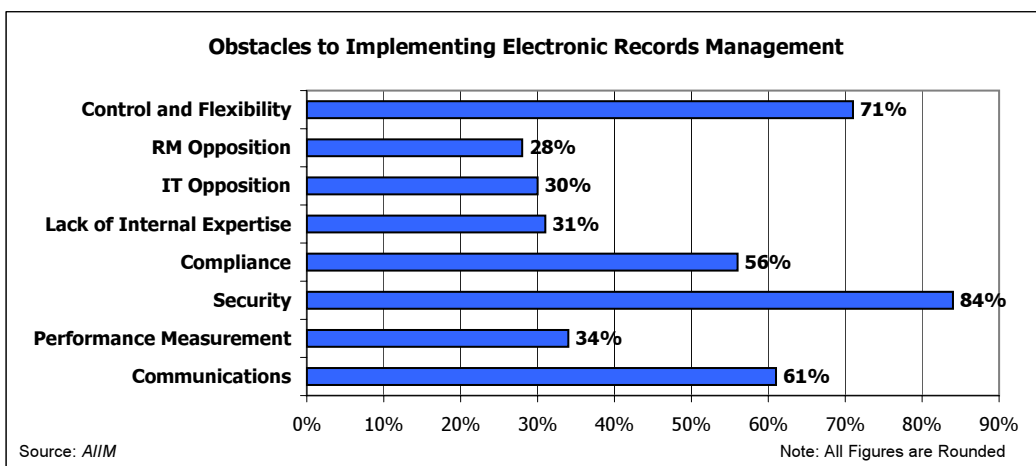
In the graph below summarizing Frost & Sullivan’s survey we see that companies’ biggest concern when it came to records management revolved around compliance and regulatory concerns. Considering the risks discussed in the last section with regards to these legislative issues, along with the associated costs it is not surprising to see this is the case. In light of document management costs this survey found that slightly less than half of the organizations polled felt security was more important than cost when it came to picking a document management solution. Additionally, in looking at the fourth question it can be surmised that companies understand that while implementing document management solutions does have associated costs they are worth paying for if they can reduce other business expenses and make processes more efficient.



What drives companies to consider implementing document management solutions? In a survey conducted by AIIM, the ECM association, summarized in the chart below we see that efficiency and productivity was the most prominent cause followed closely by regulatory and compliance concerns. While not perfectly aligned, these findings seem to complement the top findings presented in the Frost & Sullivan research above. Other areas of moderate to high consideration included risk management, customer service and overall cost reduction.



Just like most internal business decisions politics plays a role in accepting and implementing new solutions. In the case of document management solutions AIIM presented survey participants with eight selections to the question “What are (or would be) the primary obstacles in your organization to implementing an outsourced electronic records management solution?” Participants could select as many as were applicable to their particular company. In the chart below we see that Security was the most chosen response followed closely by Control and Flexibility. Communications and Compliance issues were rated as moderate factors.



Another AIIM survey addressed the topic of implementation obstacles; i.e. once an organization decides that it is going to move forward with adopting a document management solution what problems does it think it will encounter. 44 percent of respondents felt that the organization would underestimate the process and associated organizational issues. 32 percent believed that lack of training and knowledge among internal staff would become an issue. 30 percent feel that internal politics would likely derail the project implementation altogether. Finally, 29 percent felt that uneven usage due to poor procedures and lack of enforcement would occur during the process.

By understanding the thought processes and experiences of organizations that have previously explored document management options, companies looking to implement the solution in the future will be better prepared for the entire process. They will be able to build better business cases, address stakeholder concerns before they arise, and keep a watchful on implementation problems all in an attempt to derive the greatest possible benefits, cost savings and mitigation of risks associated to document management.

DOCUMENT MANAGEMENT SOLUTIONS

Documents, be they in digital, print or other formats, focused on financial, operational, marketing or other business areas are the lifeblood of any organization. While most documents have intrinsic value to a business only a finite number have continued relevance and require frequent access. Unfortunately, because of the sheer volume of documents in any organization, locating and retrieving vital ones in a timely fashion can sometimes be like trying to find a needle in a haystack. Since quality of service often hinges on finding, and being able to utilize, these documents quickly it is surprising to note that most companies have a document management system that at best can be described as chaotic. Most businesses have a mix of digital and hard copy documents, both active and archived, stored onsite and offsite, organized by nonsensical terms while employing multiple vendors. All of this increases costs and risks for any organization.

A single source supplier for document management solutions can help remove operational risks every company is exposed to. By employing only one document management solution provider a company will find it easier to manage storage and retrieval processes. In turn the provider will be better able to insulate the organization from non-compliance and regulatory violations by enforcing consistency across the company regardless of business unit or facility location. Additionally, by having a managed electronic document management (EDM) solution for both digital and physical documents in place a company enables itself to recover from a disaster event, if one was ever to occur, in rapid fashion.

Document imaging and conversion, normally referred to as Backfile Document Imaging, is usually the first step taken when implementing a document management solution. While this process sets the stage for the long-term benefits of a comprehensive document

management program it has the potential to be extremely costly for an organization if their specific document usage requirements are not considered. Companies that are implementing document management solutions need to work closely with their solution provider to ensure the most cost-effective approach is utilized.

One way virtually all organizations can control and reduce initial implementation costs is by taking advantage of intelligent scanning; a “product” of document management solution suites. As an organization begins its backfile document imaging it should work with its solution provider to differentiate the importance of various documents thereby ensuring that only vital records needed for, or valuable to, business processes are immediately converted. Documents that do not have immediate value to the business should not be initially converted to digital format. Rather, these records should be retained on-site or off-site in original format since physical storage costs are likely to be lower than conversion costs; especially when considering the fact that converted digital records have storage costs as well. If and when the document is ever required in the future it can be accessed, converted and transmitted to those who need it on-demand. This type of Image on Demand solution acts as a “pay as you go” approach; scanning only what you need, only when you need it. It reduces overall implementation costs, provides the cost-effectiveness of physical storage and offers the conveniences of digital delivery when needed. Regardless of company size, industry or geography all organizations implementing document management solutions need to utilize an intelligent scanning approach based on the on access requirements of different documents into account to ensure the greatest ROI is achieved.

The second stage of an effective document management solution is often referred to as Day-forward conversion. This is the process undertaken for converting all newly created documents into electronic format. This process helps to make workflow more efficient while also reducing retrieval and storage costs. Another benefit of some day-forward imaging products is that documents can be shared with others across disperse corporate locations, or even outside the organization if desired, in a efficient and simple manner.

The intelligent scanning solution mentioned above for its capabilities in reducing the costs of backfile conversion also has day-forward applications that allow the digital filing process to be put in the hands of the end-user. Selective scanning, an aspect of the intelligent scanning approach, uses predictive tools to help end-users identify, and convert to digital format, documents that have will likely need to be retrieved soon or on a continuous basis. Abstract scanning, the other aspect of the intelligent scanning approach, ensures that end-users only convert high-value sub-sets of records while not converting boilerplate documentation or sections of low-importance. These customized applications ensure that those who know the document, its uses, and how it will be accessed, the best manage the digitalization process from end-to-end. Additionally, these types of intelligent scanning applications help reduce overall document management costs by making certain only relevant documents are converted.

There are additional ways for companies to tailor their document management solutions that, based on their functionality, are a little harder to separate into implementation or continued-use phases. One such product is the Digital Records Center which can apply to both backfile and day-forward documents. This application focuses on allowing authorized users of client companies to search and retrieve all electronic business documents regardless of format on a 24/7 basis through an internet portal. This solution ensures that those who need vital records, regardless of hour or physical location, can find what they are looking for quickly. In addition to increasing business efficiencies this solution ensures adherence to compliance guidelines by restricting access to only those with appropriate clearances. Finally, a hosted digital records center means that a company can more easily cope with a disaster event as its employees, even if relocated, have access to the documents they need to continue business as normal.

Another product that allows for a customized solution is Offsite Active File Management. This offering is very useful for organizations for several reasons. Employees who are not trained records managers and are tasked to the area on a “part-time” basis can refocus on more business-centric assignments. Additionally, real estate can be redeployed for other business purposes, or costs can be reduced by not maintaining larger than necessary facilities. Finally, offsite storage and retrieval management means that more convenient and reliable access to files, including digital, image, and paper-based records can be carried out across the company; especially relevant for organizations with multiple locations.

For organizations that operate in highly governed environments Facilities Management product offerings should be a strong consideration during the product selection process. By having outsourced experts taking care of document management needs companies can be more secure knowing that conversion processes, retention schedules, information security and privacy policies are being maintained. This offering will reduce risks of compliance violations and any associated costs that come with breaches of policies.

Finally, organizations that have document management solutions already in place may want to consider bringing in a Document Management Workflow consultant group for a review of processes. This review should take place because document management solutions are designed for, and implemented in, environments that are naturally evolving and changing; what was compliant, effective and efficient a few years ago may no longer be so.

A top-to-bottom in-house review can potentially help streamline business processes and make employees more productive, reduce current document management expenditures, remove any complexities that may have crept into the system, help improve customer service and ensure consistency across the company and compliance to the latest regulations. Finally, a document management review can also point out industry best practices that would be easy for an organization to adopt and implement.

CONCLUSIONS

Frost & Sullivan is confident that this whitepaper has been helpful in highlighting that while documents are the lifeblood of any organization, of any size, in any industry, located anywhere in the world they inherently carry with them a multitude of costs and risks beyond even what the most experienced executive may realize.

Most organizations, once they have realized the need for a comprehensive document management solution, can likely implement a policy on their own. While this is the case, it is almost certain that an outsourced provider can offer more robust services, backed up by decades of experience, at a lower cost.

If each of the document management tools mentioned throughout this whitepaper were implemented individually by separate vendors their positive impact on an organization's risks and costs would still be immediately noticed and improve the long-term prospects of the organization in multiple ways. Luckily all of these solutions can be simultaneously obtained from the experts at Iron Mountain. This long-standing single source of document management solutions ensures that all of the component pieces are capable of working together in a seamless format while removing any duplication of efforts. A fully integrated document management solution from Iron Mountain is likely to fully pay for itself upon completion of implementation; and will certainly do so over its lifetime in any organization large or small. Frost & Sullivan views it as one of the only true options for any organization considering end-to-end document management outsourcing.

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