

WHITE PAPER

Documents — The Life Blood of Your Business?

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INTRODUCTION

The current business climate is being driven by profitability, productivity, customer retention and the need to sustain competitive edge and control costs. To address these challenges many functional areas within organisations have been targeted for cost control to drive profitability and productivity; examples are HR, purchasing, customer care, manufacturing, finance and accounting, logistics, facilities and IT. Organisations are turning to solutions ranging from process reengineering and technology solutions to the various forms of outsourcing to ensure quality, drive efficiency and control spending. To achieve this organisations have had to change and evolve. In a recent study of almost 1,000 of Europe's largest companies, over 70% stated that they had undertaken a major change in the last 12 months. However, in today's business environment change is a business essential and needs to continually take place.

The pressures of increasing profit, improving productivity and saving money, while increasing quality and customer retention, and becoming more competitive remain critical business drivers. The question is what can organisations do next to resolve these challenges?

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Revisiting the processes that have already been examined in detail may deliver additional efficiency, but the returns will diminish. Already many companies have resorted to limiting discretionary spending and have instigated more onerous approval processes for financial management decisions. These steps must surely be short term as they act on the culture of the organisation; affecting morale, motivation of employees and prolonged use prevents innovation from within the company. Indeed, the McKinsey Quarterly 2003 #3 made a similar point in an article that stated that, *"Companies typically attempt to boost their earnings by cutting discretionary spending so much that potentially productive long-term investments are compromised."*

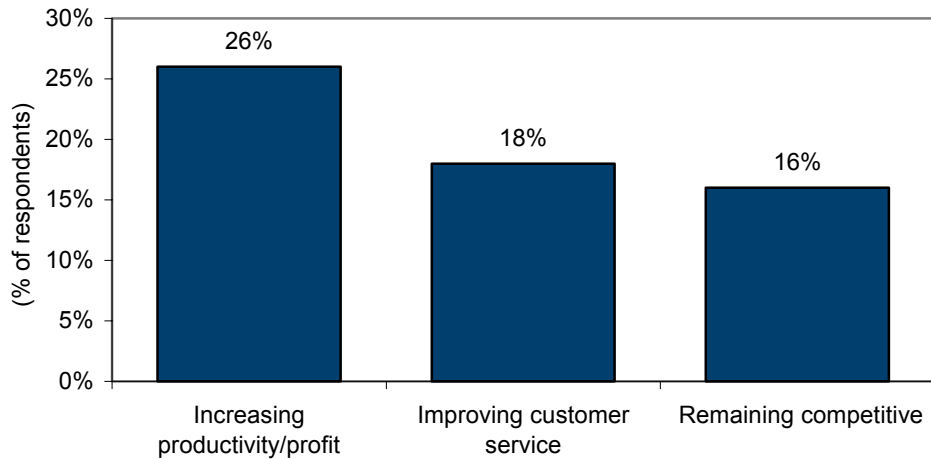
So, what other process and practice areas within an organisation can be examined for potential efficiency, cost saving and productivity improvement, while not threatening the company's core values and agility? There are still areas of the business, especially traditionally cross-organisation tasks, that have yet to receive the undivided attention of the accountants.

This White Paper, written by IDC and incorporating the results of an extensive pan-European study of large companies, investigates a critical area of business that to date has been ignored by companies — document process management (DPM). The White Paper examines the ways organisations view the importance of document management processes, how spending on documents is measured, current document processes and why changing DPM processes are important, and provides advice and insight into how the area of DPM can be better addressed. This marks a further expansion in the areas IDC is examining for cost control and efficiency improvement within large organisations, building on work looking at cost control within IT departments and individual business process areas.

FIGURE 1

NUMBER 1 BUSINESS CHALLENGES

Q. What are the biggest challenges facing your company at the moment? Please rank the top three in order of importance. (Number 1 challenge only.)



Source: IDC, 2003

IMPACT OF DOCUMENTS

Documents, whether printed or electronic, are to a company what blood is to the body. They feed the body (company) with the oxygen (information) that enables it to operate. However, the importance of documents extends far outside the confines of the company as they provide the life blood of communications with customers, prospects, suppliers and partners.

The use of documents within organisations — whether in the form of memoranda, communicating the latest product/service messages, to billing/invoicing and direct marketing — serves a multitude of purposes. Certainly the respondents to IDC's survey agree about the importance of documents within their organisations — 82% thought that documents were crucial to the successful operation of their organisation. A further 70% claimed that poor DPM processes could impact the operational agility of their organisation. Clearly the ability to communicate quickly and accurately without confusion can be severely impacted if the processes are not in place. This is especially true if there is a lag between changes in business policy and the time it takes for this to be reflected, communicated and used in an organisation's documents. This is something IDC refers to as document speed.

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In a period of market slowdown the role of your brand becomes increasingly important. It is vital that corporations manage their brand image carefully and consistently across all communication media. With a dramatic increase in the types and methods of communicating to different audiences, including through electronic, TV, digital or printed format, it becomes even more vital that a company's public information is consistent. From a very basic perspective the creation and distribution of this information in all its different ways helps create interest in potential clients, communicates important changes, delivers instruction/client aids and ensures collection of revenue. Therefore, written and electronic material should share a common source and comply to the agreed brand image.

Documents are still a major part of modern business. If anything, over the past decade the focus on documents within large organisations has intensified. The research for this paper shows that on average 45% of an executive's time was spent dealing with documents. The introduction of electronic file formats has changed the way organisations view and work with information. The increased use of documents that are Web based, email, SMS, fax, etc. seems in many instances to have further engrained the role of documents within current business practices.

On average, 45% of an executive's time is spent dealing with documents.

Companies that now email a bill to a customer rather than printing and posting it still need a process that generates the document, records the transaction and sends it. In many cases this electronic process now coexists with paper-based systems that act as a physical backup or archive, and breaking this reliance on a hard-copy format will remain a challenge for some time to come. Indeed, in a wider context all the diverse technologies and storage methods employed have yet to come up with a satisfactory replacement for the numerous uses of paper. The emotional connection many people have will be almost impossible to break, especially when reviewing information and writing notes.

There are many other areas where documentation can impact organisations — the productivity of all the staff that require documented information (for instance, the 45% of executive's time mentioned above), how it is used to communicate brand and how good/bad/indifferent documents impact customer perception.

This all begs a question. How vital is documentation within your organisation and is its importance (or lack of) recognised?

WHAT IS A DOCUMENT?

The impact of documents and their future importance rely on what a document is. The importance of document process has intensified with the use of electronic-based business systems and the term "document" must surely expand to reflect this.

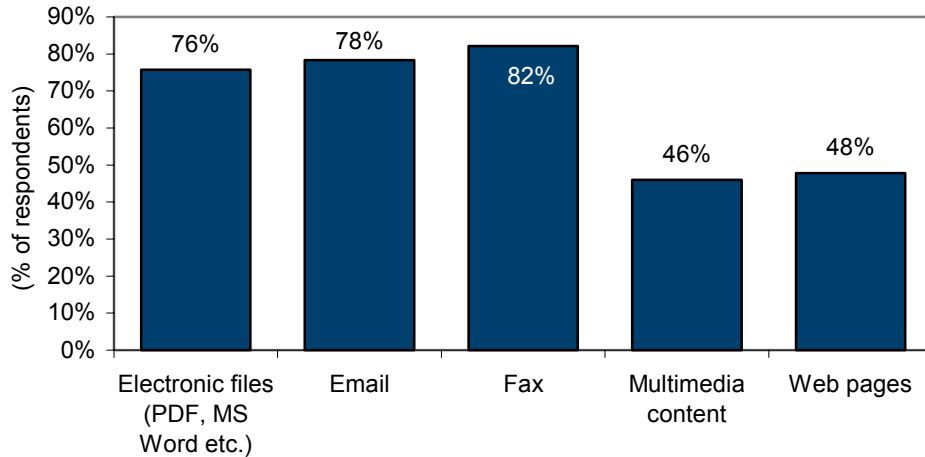
Additionally, trying to address the cost structure and efficiency of an organisation's DPM processes requires an understanding of what the term "document" means to individual organisations. What is actually defined as a "document"? This has many implications especially when within the same organisation different definitions can lead to a lack of common DPM policy.

When is a document a document? The realisation that the differing forms that documents can take is increasing (see Figure 2). However, there is still a sizable minority of respondents to the study that do not recognise the term "document" to include fax, email, electronic document files, Web or multimedia content.

FIGURE 2

WHAT IS A DOCUMENT?

Q. Which of the following do you consider to be a document?



Source: IDC, 2003

IDC's research discovered that there were a number of differences in what organisations define as a document, especially between European countries. The UK is leading the way with over 90% recognition rates for email, fax and document files, and 72% and 68% respectively for Web and multimedia content. However, in Spain the inclusion of all these formats was found to be 26% lower than in the rest of Europe.

For the purposes of this White Paper IDC defines a document as "information recorded and stored in any retrievable form." This includes paper, fax, email, Web pages, electronic files (PDF, MS Word, etc.) and multimedia content.

Based on this, organisations need to re-examine how they define documents and review the DPM process in place to manage them. This raises the important issue of the approach organisations take to integrating information in differing formats — the danger for many organisations will be the piecemeal approach of the integration of all this information. Certainly the challenge of managing all the information within an organisation is not new. Former HP CEO Lew Platt's famous quote — "If HP knew what HP knows, we would be three times as profitable" — makes the point that it's not about the information, it is about the ability to access and utilise the information. IDC believes that the first aim of a DPM process should be the easy assimilation and communication of this information.

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IDENTIFYING THE COST (IF YOU DO NOT KNOW THE COST, HOW DO YOU KNOW IF IT'S EFFICIENT?)

If defining a document is hard, identifying the costs associated with all the document activities is almost impossible for many organisations. Indeed, with documents having such an engrained and accepted overhead, is it any wonder that the cost and productivity savings of common DPM policy have not been properly addressed yet?

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There is certainly a lack of knowledge around the costs of documentation. The IDC research showed that only 10% of the organisations interviewed could estimate how much they spent on documentation; indeed, two-thirds admitted that they were not tracking the total cost of documentation at all.

This lack of knowledge is shocking, particularly when you consider other results in the same survey state that 47% of organisations claim their document process is centralised. Those with a centralised process were more confident that they knew all the costs, but the difference was minor with only 40% of those with centralised processes claiming that they knew all the costs rather than an average of 35% for the whole survey. So, even with processes that are centralised, organisations were not confident that they were tracking all the costs.

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It also makes it very difficult to judge the overall effectiveness of document policy if the total amount spent on documents is not measured — certainly it makes measuring improvements, judging the success of any particular initiatives and further investment harder to justify.

One area where potential improvements could be identified was in document waste. IDC's survey revealed that on average 19% of printed documents were wasted. Thinking about your organisation's spending on printed documents, what level of waste would be acceptable? How many documents would 19% represent? What is the cost of this? Can you afford not to investigate this and could it just be just the tip of the iceberg?

Do you believe that documentation is a minor cost that is not worth investigating in your organisation? Or is it a major strategic activity where gains both in cost and productivity can be made if only the process were understood and managed correctly?

The only guidance that can be given is that the average estimated annual cost of documentation in the organisations surveyed is over €1 million, representing 5% to 15% of their revenue. Also, when looking at the impact of documents, 45% of executives' time was spent with documents — how important is it to examine and make changes to improve the efficiency of activities that impact 45% of your executives' time?

IDC research estimates that on average annual documentation costs represented between 5% and 15% of an organisation's revenue.

CURRENT DOCUMENT PROCESS

As previously stated, documents are the oxygen of an organisation, but the majority of companies do not have an accurate view of how they are managed and how much they cost. What makes DPM so difficult to understand? Part of the reason is the number of different activities that make up the process. IDC has identified the following processes that impact or support the document management lifecycle:

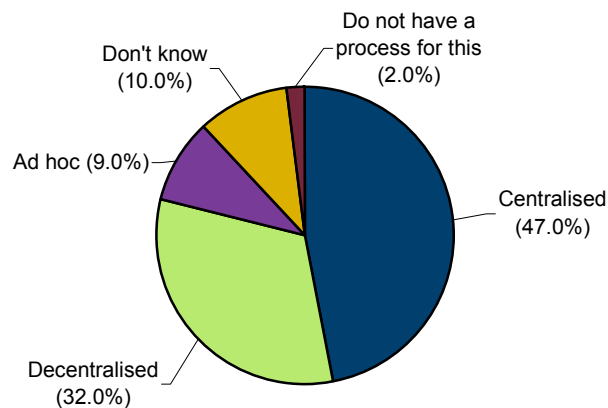
- Document creation
- Document capture
- Document/content management
- Output management
- Document output/production
- Document distribution/sharing
- Content/document indexing
- Content/document search/retrieval
- Support/management of document assets (printers, copiers, scanners, etc.)
- Workflow

All these activities are used to build a complete DPM process. IDC research reveals the real state of DPM among European corporates, that of a mix of centralised, decentralised and ad hoc document processes.

FIGURE 3

CURRENT DOCUMENT ORGANISATION

Q. Are your document processes managed in a centralised, decentralised or ad hoc way?



Source: IDC, 2003

Figure 3 illustrates that almost 80% of organisations claimed to have a fixed process for most of the DPM activities IDC listed, but the management of these processes was often unclear, which was demonstrated by the inability of almost half of the respondents to estimate the costs for centrally managed processes. Again this raises issues about the complexity and difficulty many executives find in managing and examining all the document costs within their organisations.

It is important to remember that DPM is not simply a list of discrete processes, as many of the activities have a large dependency on the others. For example, any documents that are captured must be stored and indexed for future search and retrieval — so it is essential that the storage and retrieval processes are closely aligned. It is also important to consider that processes feed from and into other elements, such as customer relationship management data, supply chain data, perhaps payroll and employee information. Depending on your situation, this could create a complex matrix of interrelationships that need to be thoroughly planned and executed.

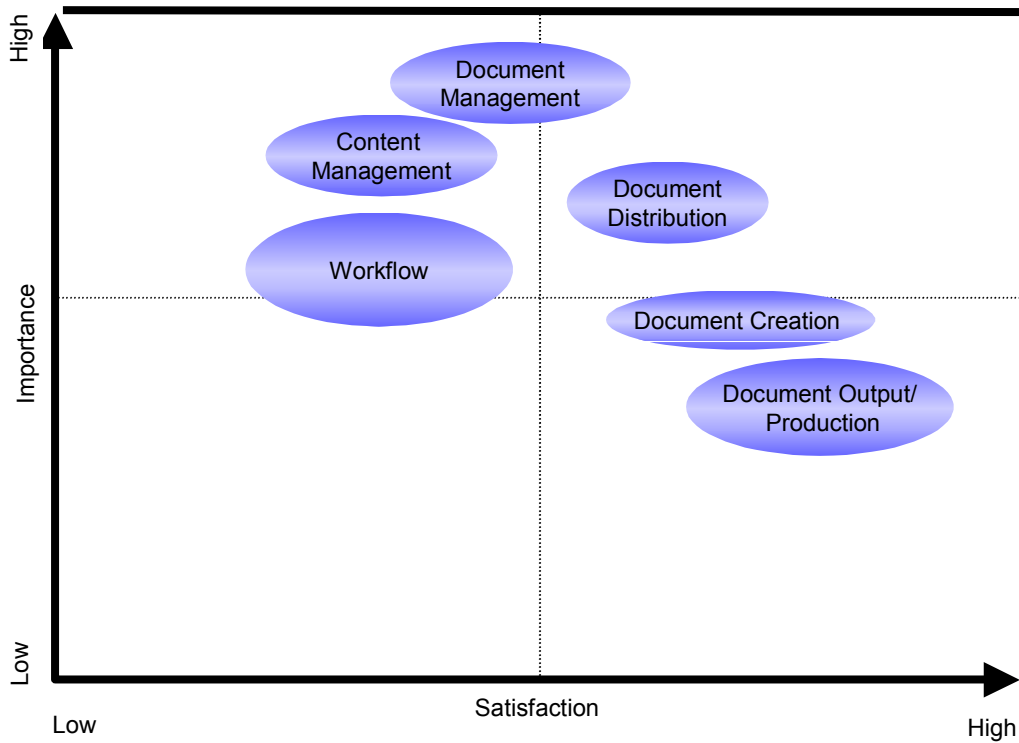
Implementing defined document management policies and procedures is critical. However, there is little point in implementing these unless monitoring and measurement takes place. Although almost two-thirds of organisations claim document management policy improves efficiency and half claim cost improvement, the vast majority of organisations (65%) admit that today they are not tracking the total cost of their document process. What other area of any business with average costs of €1 million a year would so easily escape the attention of the chief financial officer, especially in this market environment?

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Tracking costs is critical, but again should not be taken in isolation. Documents are developed to be used and the processes put in place must be aligned to the business purpose. To measure this alignment IDC examined how organisations perceived the importance and satisfaction of the various processes that make up their document strategies. Figure 4 illustrates how the activities with the highest importance did not receive the highest ratings for satisfaction.

FIGURE 4

IMPORTANCE AND SATISFACTION OF DOCUMENT PROCESSES



Source: IDC, 2003

It is important to note that there was a higher gap between the importance and satisfaction of the tasks with the highest importance rating. This indicates that currently organisations are not applying the level of resource to a process according to the level of importance of individual DPM activities.

This is indicative of the prevailing attitude toward DPM as it stands today. Some of the larger, more defined activities such as document output and creation received the highest satisfaction. However, the important tasks of content management and document management and workflow, which dictate how information is stored and disseminated, received lower levels of satisfaction. The key to good DPM is ensuring that the information, which underpins business process, flows. It is therefore paramount that the tasks most directly supporting this flow are given enough attention and resources. Sadly, this is obviously not the case in most businesses today.

HOW CAN IT CHANGE?

Currently, business is in the state of almost non-stop change, with business agility being the current mantra.

Re-engineering business processes to deliver cost savings alongside efficiency and productivity gains is the goal of all businesses. In this environment IDC believes that businesses today must pay serious attention to DPM processes as this is a source of potential gains in productivity, cost saving and customer service. This issue needs to be on the corporate agenda.

Again implementing an effective DPM process is not a straightforward task and as such IDC has outlined a number of steps that will help organisations examine the costs of DPM and that can be taken to ensure you receive the full benefit of the re-engineering process:

- Find out what costs are currently being tracked or captured if the costs are not measured
- Raise awareness of document cost and examine areas which have hidden spending
- Understand which of the hidden areas can be uncovered and quantified
- Examine document procurement and supply chain management processes
- Examine whether there is a lag between speed of business change, document speed and information change
- Understand what interdependencies individual processes have — how do they work together themselves and as a part of the other systems
- Understand what documents need frequent archiving/retrieval and what impact this has on the business
- Benchmark costs and process efficiency where possible
- Decide what steps can be taken to control the cost and improve the efficiency of these areas
- Decide whether it makes sense for an external agent to help with the change

The lack of information currently available to executives about the costs of these processes makes the steps to uncover and understand the existing level and value of document spending very important. Unless all, or the majority of, these costs can be accounted for, any subsequent DPM policy is likely to lead to further inefficiencies or missed cost-saving opportunities. Remember, when it comes to wasted money and poor efficiency, ignorance is not bliss.

Most organisations struggle to keep pace with the rapid change in their business environment and need to keep customers informed. Although some delay is, in most cases, inevitable, it's important that you know whether this gap is acceptable — before your customers do.

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The dependency of the various processes is important to understand and maybe challenging to achieve with current resources and skills available in-house. In addition, comparing or benchmarking internal performance against external norms is often the only way to get a true picture of whether your performance is up to scratch and identify where immediate changes can bring the best results. Although there is some publicly available data with these kinds of metrics it is usually too high level to be applied directly with your circumstances. This is one area where third-party assistance can be invaluable as many service providers will be able to make comparisons for costs, efficiency and performance of individual and combined processes that apply to various industries from working with previous clients.

Once an assessment is made as to the areas where document process and business process are not in line, what are the potential outcomes and actions? IDC believes these outcomes and actions include:

- If the costs are believed to be relatively minor and improvements will not significantly improve profitability and productivity of the organisation. No further action is needed.
- If the cost savings and/or productivity gains are believed to be sufficient. IDC recommends that the different processes need to be assigned a priority — in terms of importance and ease of change. Then changes to the areas that have the most impact should be tackled.
- The next step is to consider the reporting and accountability of the individual areas (or groups of areas). This is vital if this process is to provide a long-term solution.
- The final action is to clearly consider how best to implement and manage change. IDC recommends that organisations closely consider whether these tasks are appropriate to be managed internally or whether some tasks or the entire process are suitable to be outsourced.

The outsourcing option is gaining in popularity, with almost 60% of organisations either using outsourcing or currently considering the benefits of outsourcing within their organisations. Recent economic conditions have led many to consider outsourcing as a serious option for cost control. In the survey, 37% of the respondents stated that reducing and controlling costs was a key reason for them to consider outsourcing.

Cost is not the only reason though, as freeing internal resources for other purposes demonstrates that many organisations are looking to outsourcing as a way to bring about wider productivity and efficiency gains. This trend is backed by IDC's extensive ongoing research into the outsourcing market, from which it is possible to see that the diversity by geography and industry of outsourcing clients increases year on year.

BOTTOM LINE

The fuel for decision making is information. When making a worthwhile decision about which area of a business could benefit from restructuring, simple cost-saving initiatives or even outsourcing, it's vital the decision maker has the right level and quality of information.

With the increased need for delivering cost saving wherever possible, IDC believes all business leaders should be asking themselves the questions shown in Table 1, IDC's document process checklist.

TABLE 1

DOCUMENT PROCESS CHECKLIST

What is the real cost of documents in my organisation?	€ _____
Is there any easy way to find this out?	Yes/No
Who in my organisation knows and what is blocking the flow of this information to me?	_____
Is there a significant gap between speed of business change and document speed?	Yes/No
How is this affecting my organisation?	_____
Is my company being run at document speed not business speed?	Yes/No
Is knowledge from all company activities being stored in ways that can be easily utilised?	Yes/No
Is communication with our customers consistent and does it support our business messages/direction?	Yes/No
Are my document assets being effectively managed?	Yes/No
Would it make sense for them to be managed externally?	Yes/No
Do my current document processes fit my business strategy?	Yes/No
Is the balance of my document process correct?	Yes/No
Are the most important tasks receiving the most attention and resources?	Yes/No

Source: IDC, 2003

CONCLUSION

Today you could be wasting money, working inefficiently, reducing productivity, providing poor customer service and losing sales opportunities simply because of the way you manage documents within your organisation. But potentially the biggest "crime" is that you probably do not even realise that this is the case.

With the correct integration of tasks and clarification of the different document processes, you can make significant productivity and efficiency gains. Cost savings achieved by cutting out duplication of effort can, for example, free up spending for those areas within the organisation that will enjoy the most return. It is important to highlight that the challenges and benefits from revising and improving document processes will vary greatly between different organisations. However, anything that offers the ability to harness the knowledge in your organisation, giving executives more vital data on which to base decisions and present to customers, must be able to offer any organisation gains in productivity, efficiency and customer satisfaction.

It is almost impossible to generalise about the cost savings to be gained in examining and addressing document issues, but other forms of cost savings such as re-engineering IT processes, including outsourcing, have seen savings ranging from 10% to 50%. It is possible, indeed probable, that similar savings could be made with existing document management processes.

Finally, if effective document management is the life blood of an organisation, supplying the oxygen that allows you to not only survive but to grow, perhaps you should ask yourself how healthy is your company today?

METHODOLOGY

This IDC White Paper has been developed through a combination of secondary research utilising a mixture of in-house IDC market data and external information, as well as a large-scale survey of 956 senior executives involved in the decision making for document and information intensive activities within their organisations. The survey was conducted across Europe with organisations that had more than 500 employees and was completed in September 2003. The research was conducted in the UK, France, Germany, Italy, Austria, Switzerland, Belgium, the Netherlands, Spain, Scandinavia, Poland and the Czech Republic.

In addition, existing IDC published research was leveraged including:

- ☒ *Top 100 European Outsourcing Deals 2002* (IDC #RI06K, April 2003)
- ☒ *US Document Management Outsourcing Forecast and Analysis* (IDC #28634, December 2002)
- ☒ *Worldwide and US Content Management Services: Bringing Order to Content Chaos* (IDC #28980, March 2003)

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