

Document Management: Assessing Costs and Benefits

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Investment in DM will typically pay for itself within two or three years. Information "hyperflow" is making this outlay almost mandatory for many document-intensive enterprises. Here is the case for cost-justifying the investment.

WHAT YOU NEED TO KNOW

The potential cost-savings impact of IDM is rising as information hyperflow grows. Knowledge workers now waste 20 percent to 30 percent of their working hours managing document-based information outside automated systems and this is expected to grow. Enterprises can save at least half of the time and money now spent on nonautomated DM. Implementing an enterprisewide DM system can thus provide an ample ROI, paying for itself in two to three years.

STRATEGIC PLANNING ASSUMPTION(S)

If enterprises do not bring both internal and external content under control, the amount of time wasted by the average knowledge worker on document-related non-value-added tasks will increase to between 30 percent and 40 percent of their time by 2003 (0.8 probability).

ANALYSIS

One question enterprises often ask about IDM systems is how can they be cost justified? Put another way, the question is “what will our ROI be if we implement IDM either on a departmental or enterprisewide basis?” Enterprises have a gut feeling that IDM is a good idea, but need hard numbers to justify costs.

Gartner research from 1997 forecast that the amount of time wasted would continue to rise (see Note 1). We wrote that knowledge workers were spending about eight hours a week on DM tasks, or 20 percent of their time. We forecast that this would rise to 30 percent by 2000. It now appears that this number may be too low. Due to the acceleration in the pace of business transactions, we are now in the era of information hyperflow (the speed of information interchange and access over the Internet — see *Research Note SPA-08-6171*). Based on this, the required pace of business change will lurch forward, so that, by 2003, every major business and all Western governments will be forced to significantly redesign and reorganize at least one-quarter of their operations, but often more.

Information hyperflow is not entirely document-based, but it has increased the time that knowledge workers spend creating, searching for, retrieving, repurposing and filing documents. This time will vary by industry and job. It has more-serious implications for those enterprises that are historically more document-intensive, including banking, insurance and healthcare. If enterprises do not bring both internal and external content under control, the amount of time wasted by the average knowledge worker on document-related non-value-added tasks will increase to between 30 percent and 40 percent of their time by 2003 (0.8 probability).

As well as human resource costs linked with manual document processing, there are other costs associated with paper-based and electronic documents, when managed outside an IDM system. DM industry data, confirmed by our research, shows:

- The average document is copied, either physically or electronically, nine to 11 times at a cost of about \$18
- Documents cost about \$20 to file
- Retrieving a misfiled document costs about \$120
- There are many hidden and not-so-hidden costs associated with unmanaged documents, including costs for on-site and off-site storage, electronic media, physical plant (e.g., filing cabinets and floor space), postal and other distribution costs

Electronic documents and DM are not the same thing. Multiple documents that reside on individual hard drives and shared file drives, and multiple versions of these same documents, are an additional cost in terms of storage and time. Without IDM, electronic documents are problems, rather than solutions.

Following an assessment of the costs of the current manual method of operations, enterprises can begin to calculate ROI and benefits (see Note 2). Expected and real benefits cited by enterprises that adopt IDM systems include:

- Lowered document production costs
- Avoidance of data duplication
- Promotion of data reuse, leading to lower costs and time for document production, repurposing and distribution
- Wider and easier access to documents to facilitate knowledge worker productivity
- An increase in data integrity
- Better-quality documents
- Slower growth in head count due to higher productivity
- Reduction in head count

To understand whether or not benefits have been achieved, benchmarking must be performed prior to starting a project. A surprising number of businesses fail to do this, negating any ROI claims. Because these systems tend to require heavy capital investment, typically more than a million dollars, failure to prove ROI can be a career-limiting mistake.

Key Issues

How can IS organizations successfully build an enterprise document management strategy?

How will IDM support mission-critical applications within an organization?

Note 1

Top 10 Reasons to Adopt IDM

In *IDOM Research Note TU-610-168*, 26 February 1997, and *IDOM Research Note TU-610-169*, 26 February 1997, we proposed 10 ways time is wasted on DM:

- Documents are hard to find (1 hour wasted per week).
- Content is hard to manipulate and repurpose (1.5 hours).
- Documents are hard to update (1 hour).
- Documents are hard to share (1 hour).
- Content is hard to publish consistently (30 minutes).
- Document creation is an ad hoc process (30 minutes).
- Document review is an ad hoc process (30 minutes).

- The importance of a document's content is not obvious (30 minutes).
- Paper-based distribution and storage is costly in terms of storage, copying and printing (1 hour).
- Paper-based archiving is expensive to maintain and inefficient for retrieval (30 minutes).

Bottom Line: The cost-savings impact of IDM on a hypothetical enterprise of 1,000 users is potentially huge. Assuming an average compensation of \$55,000 per year per user, these 10 time wasters cost \$4,823 per year per user without IDM. On an aggregate basis, it wastes \$4.8 million per year. As the volume and velocity of document-based information increases, the problem becomes even more severe.

Note 2

Checklist for Maximum ROI From IDM

When assessing where to begin a DM program, consider the following to achieve the maximum ROI:

- What is the current volume of documentation?
- What is the rate of increase?
- How are the documents created?
- How are the documents delivered?
- How many people must access, edit or view the document and at what intervals?
- How often and by whom are the documents updated?
- What is the role of the documentation in any compliance or quality assurance processes?
- What is the business value of the document?
- What are the document's workflow requirements?
- How is it used across business processes or how could it be used?

Investigating these questions will point the enterprise at high-value areas of application for integrated DM. They can also be used as preproject benchmarks for measuring system performance and cost savings.

Acronym Key

DM	Document management
IDM	Integrated document management
ROI	Return on investment

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