

## Document Management Software - Buyer's Guide

How to prepare for a document management purchase -- what to expect and how to run a successful implementation

### Document management introduction

If you threw open the windows in your office on a windy day, what would happen? If your business is like so many others, there'd be chaos as paper flew everywhere. Even employees who use computers for most work would have trouble getting anything done as important records fluttered away. Perhaps it's time for you to stop the paper chase and consider a document management system.

Simply put, document management systems can transform the way your business operates. Whether you're solving a paper problem or simply improving the way you handle electronic files, the right document management system can provide a wide range of benefits for businesses large and small.

If you have employees who spend most of the day filing or retrieving documents, or if you spend good money every month to warehouse old paper records, you should investigate a document management system.

As you start investigating your options, one distinction to be aware of is between document imaging systems and document management software. The essential difference is that document imaging systems include tools to help you convert paper records into electronic files, while document management software is used to manage your electronic files.

The software is similar in both cases: you'll still need security, tracking, and searching. But document imaging requires software and hardware to scan and index paper documents, while document management software is better suited for capturing email and web content.

### Who uses document management systems?

The benefits of document management systems hinge on their ability to improve your business processes without changing them too much. While one reason to choose document imaging - that you're drowning in paper files - is fairly obvious, there are benefits to be had across a wide range of situations and industries.

## **Reasons to turn to document management systems**

More and more industries are falling under the influence of legislation that requires specific procedures for record keeping. Financial services companies need to be able to prove that information is unaltered to comply with Sarbanes-Oxley; medical practices have to prove that their records are safe from prying eyes to comply with HIPPA. The legal industry also has specific requirements related to discovery, including full-text searching of massive amounts of documents.

For businesses in these more regulated industries, document management systems are by far the best way to ensure compliance with strict security and record-keeping rules. It's important to note that such systems only help your company become compliant, they don't guarantee it. But, the right procedures and behaviors do. No matter how secure your electronic records are, if an employee prints sensitive information and takes it to lunch, you're not in compliance.

## **Departmental applications**

Because they benefit business units shared by almost all companies, document management systems are used in a broad spectrum of businesses. Human resources and accounting departments, traditional heavy users of paper files, are huge beneficiaries of document management.

In addition, the Patriot Act's requirements of immediate government access to records apply to a wide range of businesses, and ISO 9000/9001 certification efforts can also benefit from document management. Manufacturing and government are two sectors that pursue document management for these broader regulatory reasons.

Any organization that wants to put more processes in place can benefit as well. Document management systems are used to enforce naming conventions, ensure strict approval processes are followed, and generally add consistency to existing procedures.

## **Electronic document management benefits**

Document management systems provide several different types of benefits: some obvious, some more subtle.

### **Cost savings**

One of the biggest hidden costs that paper-intensive businesses face is the time it takes to work with paper files. Say it takes a \$20/hour employee five minutes to walk to a records room, locate a file, act on it, re-file it, and return to his desk. At just four files per day, that's over 86

hours per year spent filing - around \$1700 in wages. At ten files per day, that shoots up to 216 hours per year - over five weeks' time, or \$4300 - and that's only for one employee. A system that lets employees find and work with those documents without ever leaving their desks can instantly slash those costs.

Document management systems also eliminate the "lost document" cost - the time it takes to recreate a document that's been destroyed or misplaced. Some suppliers estimate the cost of replacing each lost document at \$250.

Additional cost savings come from the office space that can be freed by eliminating most paper records. With real estate costs at \$15 to \$40 per square foot in many major cities, converting records rooms into usable office space can save considerable amounts of money. In other cases, you may be able to eliminate warehousing costs for years of old records.

### **Security**

If you're not taking data security seriously, you should be. Threats from outside (competition, identity thieves) and inside (disgruntled employees, employee theft) threaten the integrity and value of your most important information. Document management systems can provide several layers of security:

- Multiple levels of password-protected access for groups and individuals
- Encryption of document contents
- Audit trails showing who has accessed or updated documents

### **Disaster recovery**

Whether your existing documents are paper or electronic, chances are you don't have adequate disaster recovery plans in place. Document management systems protect your paper records by creating electronic copies that can be backed up in multiple ways. They also can include off-site data backups and other steps to ensure that a fire, flood, or break-in won't cripple your business.

### **Access**

Even as the Web makes it easier and easier for employees to work remotely, paper records remain a serious roadblock to distributed organizations. The right document management system allows your employees to access vital records from wherever they are. Simply allowing more than one employee to look at a file at the same time is a significant improvement over paper files. In addition, multi-layered access allows employees to see and change only the documents they're authorized to handle.

## **Process consistency**

Many companies' document handling processes are just fine without a computerized system - or so they think. One benefit that matters more to larger companies is that a document management system will enforce consistency to the degree you want it. Different departments may have different approval processes - but once those are defined, the system will make sure they're followed. No longer will consistency in filing, naming conventions, and workflow suffer as you add new employees or cover for vacationing staff.

## **Getting started with document management**

Quality document management systems can be customized to almost any situation, but some decisions need to be made up front. Without the right planning, you risk wasting time and money.

What problem are you trying to solve? That question, obvious though it may be, is one you have to have detailed answers to before you start working with a document management vendor. "We have too much paper" isn't a good answer: be specific. "We need more remote access," "We want to cut filing costs," and "We have to enforce better security" are all better answers.

Gather details on what types of paper you're working with, how they're created, labeled, and filed, and what your needs are like for retrieval or ongoing usage. If you can easily categorize your documents into types, such as delivery slips or W2s, suppliers may be able to offer specific advice. A rough count of how many new documents you'll need to enter per day is also useful.

Don't overlook your existing electronic documents: you'll want to be able to incorporate text files, PDFs, spreadsheets, and other important files into the document management system. Don't get over-aggressive: stick to the types of documents relevant to the problems you're solving.

Also look at your processes. What approval or editing steps should be built into the system? Which documents need to be permanently archived, and which should be editable? What types of documents need to be filed together for easy retrieval?

Then make sure you have management buy-in. Because of the costs and the transformative nature of document management systems, "grass-roots" efforts to implement them rarely succeed. With well thought out ROI analyses, you should be able to get executives on board.

## **Start slow**

While you may eventually want a comprehensive, company-wide system, document management vendors strongly recommend you start by implementing a solution for one application in one department. It's much easier to get management support for a new effort that only affects a single department at a lower cost. Tackling one problem at a time also makes installation less disruptive.

Once it's been implemented, vendors indicate that it's very common for a company to come back to expand the solution to multiple departments or processes months or years later. The success of the first, smaller solution leads to greater support for a more significant investment later. For example, a successful implementation in HR can serve as the launching point for larger, company-wide projects.

## **Document imaging - scanning existing files**

It's important to understand that you don't have to start a document management solution with a total conversion of all your old paper files. That kind of mass scanning is expensive and time consuming. Instead, vendors recommend a "scan forward" approach to conversion.

In a scan forward implementation (also known as "day forward" or "forward scanning"), a cut-off date is chosen after which all new documents will be scanned. Existing paper records are only scanned if they're used - in many cases, documents that don't get scanned after a year can be archived or simply thrown away. This approach means you can get started much more quickly since there's no delay while a backlog of paper is scanned. Once the value of the system is proven, you can then decide to start scanning older files.

The scan forward approach isn't for everyone, though - for some businesses, access to paper files is essential. In those cases, you'll need back file scanning services. Document management vendors generally don't do back scanning for you, but they will be able to recommend a file scanning service. These niche vendors have expensive high-volume scanners and plenty of staffers to operate them - scanning millions of documents for a single customer is not uncommon.

Typically you will ship your documents to the scanning service, but you can also get them to come to you. That can cost more than twice as much, but if your files contain highly sensitive material, it can be reassuring to keep them on site. Once the documents are scanned, the services can provide CDs of the resulting images or put them directly into your document management system. They'll also destroy or return your paper documents, as you prefer.

## **ASP vs. client-server**

An important decision to make when choosing a document management system is where you want the software hosted. If you run it in-house, the solution is usually referred to as a client-server system; vendor-run applications are referred to as application service provider (ASP) solutions. Both options provide distinct advantages: consider which are more important to you.

### **Client-server solutions**

Most software used today is locally hosted - the program runs on your computer and stores the data either on your hard drive or on a network server in your office. This familiar setup gives you the greatest control over every aspect of your document management system.

Having this total control can be a drawback, though. It takes considerable expertise and effort to maintain the document database and keep it secure - and often requires significant expense for consultants and hardware. In addition, keeping the data in-house gives you the responsibility of making regular backups in case of a system crash.

Client-server proponents point out that document management applications are built on proven software that is highly stable and requires little database maintenance. And you can create scheduled backups that copy your data to off-site computers fairly easily.

If you choose the client-server route, you'll pay a lump sum upfront to buy and set up the system, including software and servers.

### **ASP solutions**

In an ASP solution, both the application and data reside on the supplier's servers, and your staff gets access through a web browser or specialized client software.

The main advantage of ASP solutions is that the database is maintained by IT professionals at the vendor's office. Multiple layers of firewalls and security, uninterruptible power supplies, fail-over (instant switching from one computer to another in case of a crash) and reliable backups are all standard operating procedures for these vendors. They combine to virtually guarantee that your critical documents will always be secure and available. You also get access to enterprise-level features without paying an enterprise-level price.

The biggest risk of online solutions is that they require an active Internet connection. Since no Internet connection works 100% of the time - your internal network may fail, your ISP may experience an outage, or an Internet worm may cause congestion - you may not be able to

access your documents at all times. These types of outages are rare, but you should be aware of the possibilities.

With online providers, payment is more likely to involve a smaller setup fee and then ongoing monthly payments based on usage.

### **Which is right for you?**

Right now, many business executives are more comfortable with in-house solutions. However, next-generation IT staffers who are most familiar with the benefits of ASPs are gaining more of a voice in many companies, so the balance is expected to swing towards ASPs in coming years. Here are some areas you should consider:

**IT staff.** If you have in-house IT staff, a client-server solution may be your best option - but make sure you involve IT in the purchasing decision. Smaller businesses with little to no computer expertise are probably better off choosing an online solution.

**Customization.** ASPs can easily make basic changes in appearance and functionality, in effect giving you more control over the application than you would get from an internal IT team. However if you need extensive customization and integration, client-server can provide more flexibility. Remember that you will pay a premium for the extra customization work, though.

**Sensitive data.** If your documents include sensitive data such as Social Security numbers, banking records, or other information that you are legally required to protect, your first instinct may be to keep it in-house so you can be directly responsible for it. However in many cases, ASPs can provide better security than you could in your own data center, thanks to more layers of security and larger IT staffs.

Since both options provide secure, reliable document management options, a final way to make the choice is to consider which of the potential downsides you fear more: being unable to access your documents while your Internet connection is down or losing data and time because your server crashes.

You can also start off with a hosted service, and then move to an in-house solution: ASPs should offer a seamless migration path that will allow you to easily export your data. If you're unsure of which direction you should go, this can be an easy way to get started without committing fully to either direction.

## Document management software

As you evaluate different document management software packages, keep in mind that your choice should be based on your business needs, not technology. If you focus solely on the technology, you may wind up with a flashy solution that your employees won't use because it's too much of a change and doesn't fit your business processes.

To make comparisons, it's always best to get live demonstrations. Whether it's face-to-face or online, a live demo will allow the vendor to show their strong points while also allowing you to ask questions.

## How to evaluate document management software

The most important aspect to consider is ease of use. If creating, filing, and finding documents isn't easy and intuitive, your employees will resist using the system and your ROI will decrease. It's not unheard of for companies to spend tens of thousands of dollars on document management systems, only to have employees refuse to adopt it.

Make sure you get a chance to the software in action - it's the only way to really judge ease of use. Many applications use familiar metaphors - file cabinets, folders, and paperclips, for example - so even the least computer-savvy employees can catch on quickly. Also look for a balance between an uncluttered interface - one that doesn't distract you with too many buttons or options - and the ability to get common tasks done quickly, without having to click through too many screens.

## Other general attributes to consider:

- **Architecture** - Many companies today prefer non-proprietary systems: in document management, this means that the system should store your documents in their original formats and run on a range of hardware.
- **Customizability** - Because their function is so central to your everyday operations, the system you choose should be customizable to match your business processes. In many cases, the supplier will be able to integrate the system into the applications you use today, making use of the system almost transparent.
- **Scalability** - The system needs to be able to grow with you - both in terms of how many users it supports and how many documents it can handle.
- **Modularity** - In the best-case scenario, you'll be able to buy only the functionality you need at first, and add more as you expand your use of the system.

**There are also more specific features you'll need to investigate:**

- **Security** - The more granular the security options, the better: security rules may be applicable to the entire system, per cabinet, per folder, per document, or even to specific sections of documents. Systems that rely on Windows logins alone are not considered very secure.
- **Searching** - Is it easy and logical? Can you easily call up all related docs - all W2's, for example, or all docs with a certain customer number?
- **Compliance** - Auditing features can track activity by user and by machine. In some industries, you'll need to prove that documents are unaltered.
- **Access** - Some systems require client software on each computer that will access the system; others only require a web browser. Make sure to consider your remote users.
- **Workflow** - Document management systems can automate approval processes, editors, and other document routing. Extensive workflow rules can be a distinguishing factor between small to mid-sized solutions and true enterprise-level systems.

**Hardware features and recommendations**

There are two main hardware components you may need. If you're running a document management system in house, you'll need a server; if you're going to be converting paper documents, you'll also need a scanner.

Your vendor should provide you with appropriate specifications for the server, and in some cases will sell it to you directly. However if you have a preferred computer hardware provider, you will probably be better served buying from them. Just make sure you follow the recommendations from your document management vendor and your IT staff for processor speed, RAM, and hard drive space.

You may already have the scanner you need in-house: your copier. A modern digital copier with an automatic document feed and network connectivity can be exactly what you need to keep up with your day-to-day scanning needs. Almost any network copier can be used with a document management system.

If you're buying a scanner, the vendor can provide valuable assistance. They'll be able to recommend certain brands or models that will work well with their software. Often, they can sell you the hardware directly, which can simplify your purchasing process.

When choosing scanners, you'll have to consider the balance between quality and speed. If you want to scan paper documents so that the full text is searchable, you'll need optical character

recognition (OCR), and that requires more expensive, high-quality scanning. If your system will simply be storing your documents as images, the level of detail isn't quite as important.

The back-file scanning choice discussed previously will also have a big impact on your scanner purchase decision. If you plan to scan millions of pages, you'll want a high-end scanner - one that can chew through files at around 150 pages per minute (ppm) - but it might cost you \$80,000. A more reasonable scanner, rated at around 20 ppm, might cost around \$1000. Such a machine can easily handle around 1500 new documents per week, but won't be any help in processing back-files.

To meet higher scanning volumes, consider getting multiple scanners instead of one ultra-high capacity model. Three 40 ppm machines will be considerably less expensive than one 120 ppm device. Plus, they'll allow three people to work on scanning simultaneously, and provide you with the ability to continue working if one of them needs service.

### **Document management system vendors**

The majority of the document management providers you'll work with are resellers: most manufacturers don't have the large in-house tech support and sales teams needed to support a wide customer base. Instead, they support reseller networks who handle much of the front-line interaction with customers. Some manufacturers also sell direct, but they tend to focus on large enterprise level customers.

### **What to look for in a reseller**

The vendor you choose should have experience in your industry. Some industries - legal and medical are the two best examples - have very specific needs from their document management systems, and so require a reseller who understands those needs. Don't depend on the vendor to know everything about your industry, though: you're responsible for compliance issues, not them.

Longevity an important consideration: you want someone who will be around to support you. The supplier should also be able to demonstrate how the product will help you, instead of just showing the flashiest features or explaining the technology behind it. Look for suppliers who ask real questions about your business, then describe how their product answers your needs.

Watch how long it takes the vendor to respond to you. If they are slow to respond during the sales process, you can only imagine what they'll be like once you've signed a contract.

Size of the company isn't that important - as long as they have the staff to support you, a smaller vendor is fine; in fact you may get more attention than you would at a larger vendor.

### **What to look for in software manufacturers**

Remember to check out the software publisher each reseller represents, as well. Look for proven dedication to the system - make sure the software publisher is committed to updating and improving the software.

In general, look for publishers that specialize in document management. A recent trend in the industry is for makers of specialized vertical applications to add document management modules to their existing software. While this is an attractive option to companies who already use their software, it's not recommended. There are a couple of dangers with this approach.

First, tying document management to your business applications locks you into both solutions at the same time: you'll have trouble getting your documents out of the system if you decide to switch. Also, because document management is just a small component of their main business, it's hard to tell if they're committed to maintaining and improving the system.

### **Document management solution pricing**

Document management systems are a major capital expense. You can expect to pay thousands of dollars for even the most basic system. The piece to remember is the economics we discussed in the benefits section: with a bit of analysis of the costs of your current paper systems, you will quickly realize that the ROI potential these systems carry is significant.

Also, keep in mind that these systems are highly customized, so costs will vary tremendously depending on the features and integration work you require.

For entry-level paper conversion systems, including a server and scanner and software with all the basic indexing, searching, and security features, you might be able to go as low as \$5,000 for a very small setup. At ten users, you're more likely looking at a minimum of \$10,000 and often more. A medium-sized installation, with web access, auditing, and workflow features, and support for 100 users will probably run \$40,000 to \$100,000. Costs for enterprise-level solutions for hundreds of users can easily reach half a million dollars or more.

For ASP models, you can expect a minimum of \$500 per month, and easily over \$1,000 per month for mid-sized solutions. Support for larger companies can quickly top \$2,000 per month.

Some ASP suppliers base their fee structures on the total number of images in the system, rather than the number of users. Since you've already estimated the amount of documents your system will be handling, you should be able to compare costs fairly easily.

Again, these are only rough estimates of your total costs. Vendors will break down the various charges in much more detail: hardware, software, customer service and support, training, installation, and maintenance.

If you're having archived records scanned, expect to pay between 5 and 20 cents per page. You'll pay more for on-site scanning, stapled or damaged documents, and indexing services. When you consider a million-file archive, you can see why many companies opt for the scan forward approach and leave their old documents as they are.

Some businesses aren't concerned with compliance, don't need network access to their documents, and have few tracking and security needs. In those cases, a turnkey solution for \$300 can be sufficient - but the benefits are limited to basic scanning of important documents.

### **Installation and support**

Document management systems are not the type of application where you take the shrink-wrap off the box, install the software, and dive right in. You'll need to work with your dealer to handle installation and training.

When you first meet with a vendor (same as dealer, correct?), they'll ask about your plans and your business to get an idea of what capabilities you require. Then they'll submit a detailed proposal that outlines the costs and what they'll deliver.

Once you agree on a contract, the supplier will usually come to your office to do the installation and training. This can take as little as a day, but the average is closer to a week. Again it will vary considerably based on the amount of customization and integration you choose. Some suppliers may use remote access to do the installation without actually visiting your office in person, and of course if you choose an ASP solution, you won't need any work done on your premises.

### **Support**

In most cases, first line support will be provided by the reseller, not the software manufacturer. You'll see a range of support options: some vendors will offer you blocks of time that you can "bank" against future calls; some will charge a monthly support fee that includes an unlimited number of calls; some will simply charge you per call you make. Flexibility of contact options is important: find out if your vendor offers support via phone, email, instant messenger, and/or online chat.

Because of the complexity of document management systems and the fact that every installation is different, it's generally a good idea to opt for a service contract that includes

unlimited support and upgrades - at least for the first year. After that, you'll have a better sense of how much support you'll actually need.

### **Document management tips**

**Expect sticker shock.** Cost could easily scare you away from document management solutions - take a deep breath and compare the prices to the costs of doing business the same old way. Starting with a limited role in one department can also help reduce costs and prove value before committing to spending tens of thousands of dollars.

**Avoid all-in-ones.** There's a trend in IT towards "appliances" - specialized servers that are completely configured by the manufacturer. For more straightforward IT functions such as firewalls or fax servers, appliances can be a fast solution. This approach is too rigid for document management - stick with your standardized hardware solution, and your reseller should be able to make it work.

**Don't worry about storage.** Chances are, your storage needs are nothing compared to what some of these vendors see. Two million paper records? Just another day for them. Computer storage space is cheap and easy to add, so don't get distracted by vendors promoting the huge amount of space they provide.

**Test your backup.** If the system is being run in your IT department, make sure your staff and the vendor work together to create and test a very specific disaster recovery plan. Just having tape backups is worthless if it turns out that they can't be read later. With an ASP solution, make sure the process for disaster recovery is documented and available to you.

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