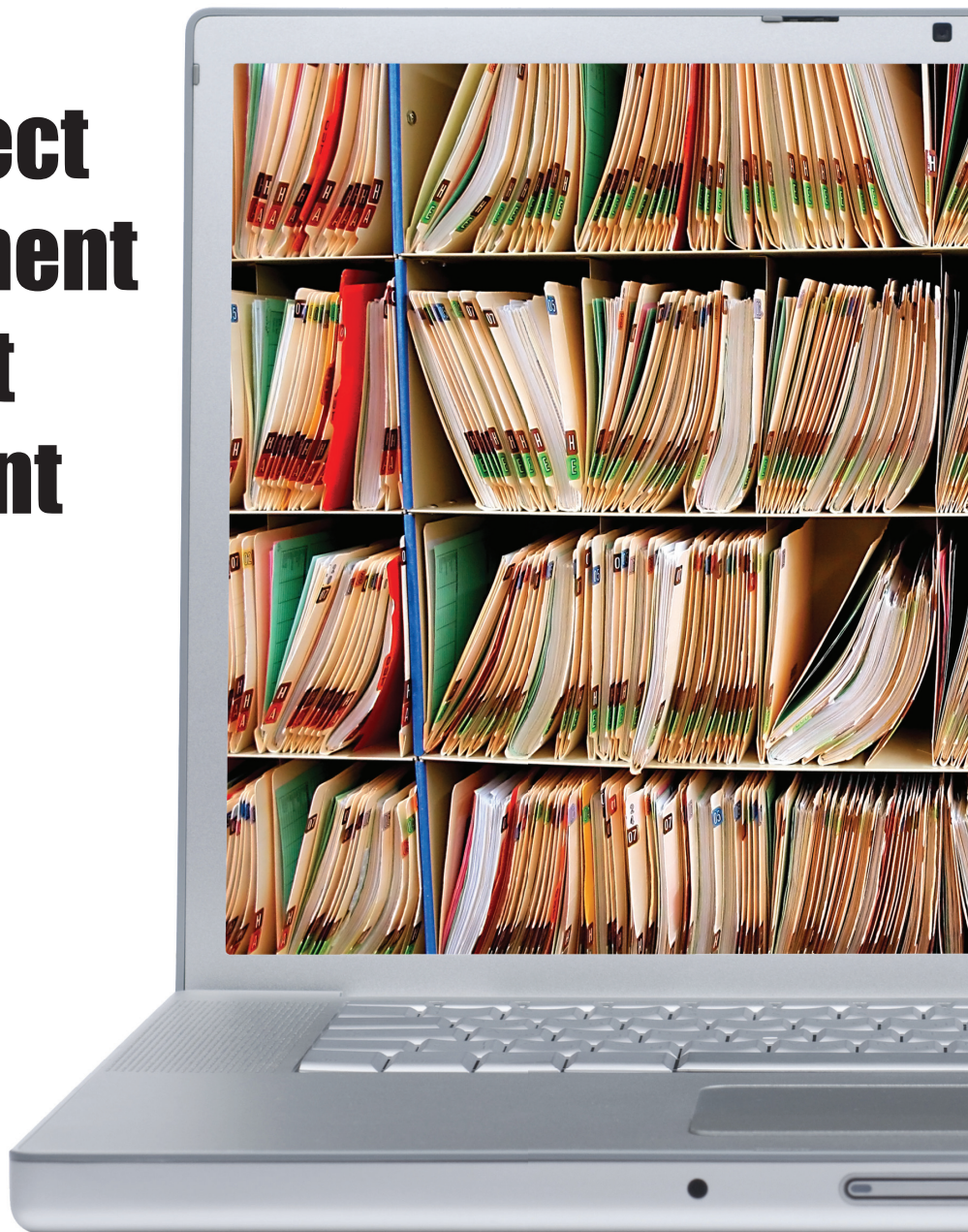




# iDocsNOW

## **How To Select And Implement A Document Management System**

White Paper



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## Summary

Lawsuits. Space constraints. Remote employees. Audit trail. SOX. HIPAA. The economy.

These all might be reasons why you are looking at a document management system — and subsequently reading this white paper.

Paper was once looked at as being almost disposable. And it still can be today. But, there are situations where keeping paper (or images of that paper) is important, if not critical, to the life of your company.

Archived documents can help you free up space in your office, share documents with remote employees and help you improve customer service. A web-based document management system can allow auditors to view certain documents without visiting your offices. It can also provide you any time, anywhere access to the information you need to run your business.

In this white paper, we've tried to provide the best practices for selecting and implementing a document management system based on our experiences AND the experiences of our clients.

## SECTION ONE

### What is document management?

Document management is the process of handling documents in such a way that information can be created, shared, organized and stored efficiently and appropriately.

For many businesses, the focus of document management is on the organization and storage of documents. They want to be able to store documents in an organized and secure way that still allows documents to be found easily.

The trend towards a paperless office is more realistic for some businesses than for others. Most businesses still operate in a “mixed” environment of paper and electronic data, so their document management system has to expedite the handling of paper documents as well.

#### Features

*Document Storage and Organization.* Businesses today are filled with information from a variety of sources: e-mail, fax, traditional mail, spreadsheets, reports and web. Document management systems provide a central repository for storing and organizing this information based on a series of index values.

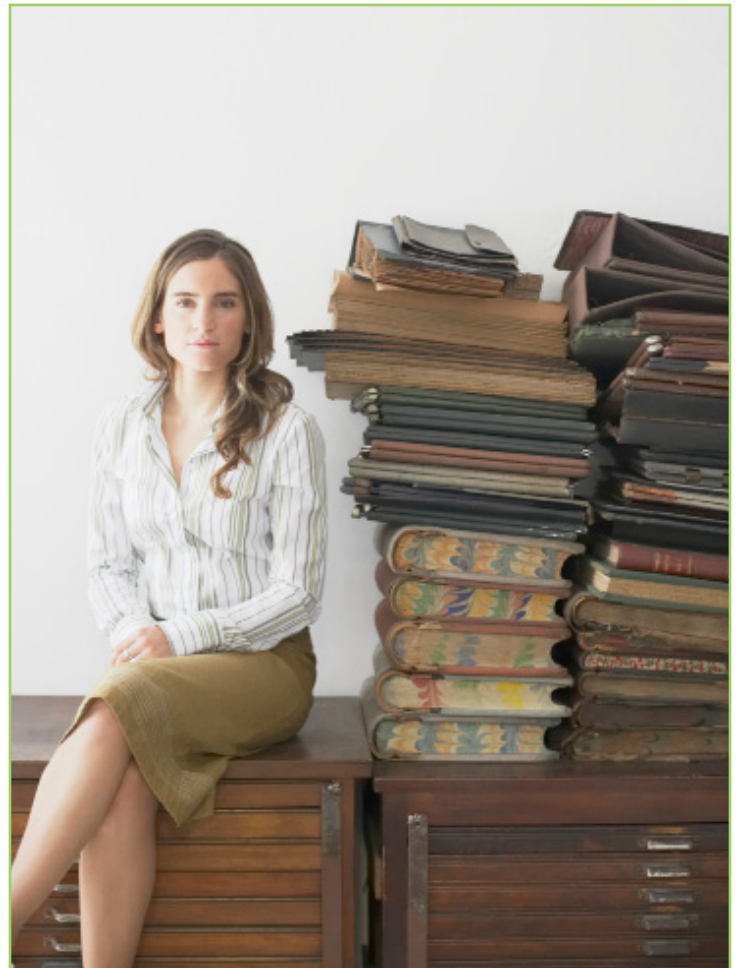
Documents can be scanned or imported into the system. Electronic documents (such as e-mails or faxes) can also be printed into the document management system. Microsoft Word or Excel documents can also be imported in their original file formats - a key differentiator between a document imaging system and a document management system.

A true document management system should let users quickly send any of this information to the electronic file cabinet with complete index information. Look for systems that can easily commit any type of file or information source to the system, including:

- Paper documents (typically the largest source of data for the document management system)
- Microsoft Office-type applications (stored as images OR in their native formats)
- E-mails and Faxes (can be printed into your electronic file cabinet for compliance)
- Photos (a way to store images in a central location)
- Forms (from your web site or reporting software)

*Retrieval.* Most document management systems let users retrieve documents without using special software or viewers. Quickly access all the information stored in your electronic filing cabinets by searching any combination of unique index values or the type-written text on your scanned pages.

*Output.* Streamlined output tools allow users to quickly and easily output stored documents. A comprehensive document management system makes it easy to quickly query, print and e-mail documents.





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**Optical Character Recognition (OCR).** OCR allows users to search the text in files by typing in a particular word, phrase, or just a few characters of a name, address, account number, etc. Similar to a Google search, OCR lets users search for any typewritten word on any document stored in the system.

**Annotation and Redaction (“White Out”).** These features allow users to highlight, underline, notate, add codes, or redact (“white out”) confidential information prior to distribution, without changing the original document. Annotations can be done in color and are moveable and re-sizeable.

**Audit Trail:** Audit trails provide a complete history of all activity for each document in the system, from the original capture date and time to each subsequent instance the document is viewed, annotated, or an index is changed. These audit trails can also include user identity/network IP address for remote users. The system provides accurate time stamped audit trails with what, who, when and why information for document access, changes and comments.

**Bar Code Indexing:** This option eliminates the need to manually index your electronic files, either by patient or client name, account number, post date, batch type, insurance carrier, etc. It’s an excellent way to quickly index batch scans or separate charge batches that are handwritten. Bar coding will also increase accuracy by eliminating keystrokes when scanning documents.

**Security and Access Controls.** A document management system is inherently the most secure way to store documents. The goal is to provide access privileges so each user can only see documents that are relevant to their work. Security controlled in layers allows control over who can and cannot access specific information.

## **Who uses document management systems?**

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

**Industries.** While any industry can benefit from document management, a few of the more popular industries include:

- Insurance
- Financial Services
- Education
- Healthcare
- Credit and Collections
- Real Estate
- Manufacturing
- Human Resources
- Transportation

**Situations.** There are also business arrangements that are well suited for document management systems, including multiple locations and travelling or telecommuting employees.

Multiple locations. As businesses open additional offices or branches, keeping important documents accessible to all employees without having to make copies of paper files is key. A document management system can create a way for employees to quickly and easily find the information they need without inner-officing, emailing or faxing documents back and forth. Customer service is immediately increased when employees can pull up client files with a few keystrokes.

Remote employees. As more and more employees work from home or while travelling for business,

providing remote access to documents will make people more productive. Instant access to documentation will give employees a competitive advantage and allow business to grow regardless of whether employees are in or out of the office.

## Benefits of document management

Document management systems provide several 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 more than 86 hours per year spent filing or approximately \$1,700 in wages. At ten files per day, that shoots up to 216 hours per year - more than 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.

**"The average cost to find a misfiled document is \$120.00.**

Document management systems also eliminate the "lost document" cost - the time it takes to recreate a document that's been destroyed or misplaced. The Gartner Group estimates that 7.5 percent of all documents get lost, 3 percent of the remainder get misfiled or lost. The average cost to find a misfiled document is \$120.00. The average cost to reproduce a lost document is between \$120 and \$220.

**The average cost to reproduce a lost document is between \$120 and \$220."**

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.

In addition, costs for consumables such as paper, copier ink and toner, etc., typically decrease. Reductions in shipping and postage costs also occur as organizations with multiple locations electronically send and retrieve signed documents such as contracts or time cards.

*Time Savings.* In addition to the cost savings of never losing a paper file, document management systems come with time saving benefits as well. Employees don't need to get up from their desks and walk to a file cabinet, search for a document and then grab a cup of coffee and chat with co-workers for 15 minutes. They can instantly pull up the information they need.

And, with document management systems, any number of users can view the same document at the same time from their workstation. Improved document access results in rapid approvals and sign-offs, significantly decreasing the time required to share information for building job files.

*Increase Productivity and Efficiency.* The ability to retrieve documents instantaneously means employees can respond to customer questions immediately - without ever leaving their desks. Instant access to information eliminates the time delays, confusion and misinformation which frustrate customers. It ultimately translates into improved customer service and enhances your company's reputation. Additional efficiencies found with a document imaging system can improve productivity and allow reallocation of company resources.

*Reduce Storage Needs.* As users scan their paper files into a document management system, they are then able to shred those documents, because unaltered TIFFs are considered legal copies. The TIFF format is the standard in document imaging and document management systems using CCITT Group IV 2D compression, which supports black-and-white (bi-tonal, monochrome) images. In high-volume storage scanning, documents are scanned in black and white (not in color or in gray scale) to conserve storage capacity.

As mentioned previously, document management systems also afford organizations cost reductions by regaining office space as they reduce or eliminate the need for filing cabinets. Eliminating file cabinets can free up space for new offices or allow companies to downsize their office floor plan.

**Process Consistency.** Many companies' document handling processes are just fine without a computerized system - or so they think. One benefit of a document management system is that it will enforce consistency in the processes involved with day-to-day activities. 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.

**Security.** With breaches into company data appearing on the news every few months, the need for document security has never been greater. Threats from outside (competition, identity thieves) and inside (disgruntled employees, employee theft) threaten the integrity and value of any business' most important information.

Document management systems can provide several layers of security, including:

- 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.** Loss of information in a paper-based office can be caused by a wide variety of events from floods to hurricanes to fire. For computer-based records, software failure, power interruptions or computer viruses can be just as damaging. Whether a company's existing documents are paper or electronic, chances are there are no disaster recovery plans in place. Some records cannot be recreated and by law they have to be retained for a certain period of time. If records are lost, an organization would not be able to present evidence in court or pass its next Sarbanes Oxley (SOX) audit. For example, after the Oklahoma City bombing, about 400,000 records were destroyed, causing the settlement of about 100 cases due to lack of evidence.

## CASE STUDY

### Professional Office Management Service (POMS)

Founded in 1990, POMS is a medium-sized, family-owned medical billing company located in Boise, Idaho. With 17 employees and more than 55 clients, the office generated an enormous amount of paperwork each day. And since medical billing companies are required to keep documentation for seven years, their office and off-site storage unit were packed to the rafters with files, folders and boxes.

#### The Problem

"EOBs and charges were in one file room and other paperwork was in a back office," Jeremy Evans, vice president of operations at POMS, explained. "When we needed a file, it was a time-consuming process for our employees. Someone always had to get up from their desk and search."

So, POMS employees started to scan paper files and store the electronic images on their own servers. "While this helped eliminate some of the paper, we were scanning using Adobe® and storing everything as PDFs," Jeremy said. "There was no disaster-recovery tool, no off-site backup and no security to speak of."

#### The Solution

POMS turned to a web-based document management system from iDocsNOW to provide an easy, cost-effective system that would make information like EOBs and charges instantly available to authorized users.

An unplanned benefit of this implementation has more than paid for iDocsNOW services — a huge reduction in courier fees.

"Our courier fees averaged \$5,000 a month, running back and forth from our clients' offices on a weekly or sometimes daily basis," Jeremy said.

"So at iDocsNOW's suggestion, we bought our biggest client a scanner for their office. Now, they scan their EOBs directly into our electronic iDocsNOW file cabinet — quickly and securely. No more courier fees. No more fuzzy faxes. No more waiting three days for backup. It's all online instantly!"

It took almost a two years, but POMS has finally scanned in all of the documents from their off-site storage facility. Add a savings in storage fees to the already huge savings in courier bills and it is easy to see how document management often does more than pay for itself.



Document management systems protect 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 day-to-day business operations.

**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.

Some companies are even offering their clients access to their document management system. Since outside clients typically require only simple search and view, a web-accessible document management system can be an effective way to share information.

**Compliance.** 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 HIPAA. The legal industry also has specific requirements related to discovery, including full-text searching of massive amounts of documents.

**"After the Oklahoma City bombing, about 400,000 records were destroyed, causing the settlement of about 100 cases due to lack of evidence."**

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 companies become compliant, they don't guarantee it. But, the right procedures and behaviors do. No matter how secure electronic records are, if an employee prints sensitive information and takes it to lunch, a business is not in compliance.

**HIPAA:** Impacting every facet of the medical industry including insurance, health care entities, hospitals, doctors, pharmacies and patients is the Health Insurance Portability and Accountability Act (HIPAA). The first target for HIPAA compliance was due on October 16, 2002 and called for all claims to be processed electronically.

While HIPAA does not provide many specifics on the implementation of information privacy and security, it sets guidelines for IT departments and information management systems. HIPAA affects many document management users because it mandates certain practices involving the electronic storage and transfer of "personally identifiable health information." Organizations must ensure that people access information only on a need-to-know basis and that the scope of the information is limited.

These recommendations set expectations for document retention policies, disclosure and electronic security. HIPAA also demands encryption, password policies and system backups, though it doesn't specifically state how they should be accomplished in order to be compliant.

**Sarbanes-Oxley:** The Sarbanes-Oxley Act of 2002 brought focus to the issue of records accountability and control in audit activities. The law requires that CEOs and CFOs personally attest to and certify many records used in reporting financial status. Sarbanes-Oxley impacts financial information capture, use and reporting. Additionally, Sarbanes-Oxley amended Title 18 of the U.S. code making the records-based obstruction of justice and tampering provisions applicable to all businesses public and private.

The language of the act is pretty clear as it relates to documents. 'Whoever knowingly alters, destroys, mutilates, conceals, covers up, falsifies, or makes a false entry in any record, document or tangible object with the intent to impede, obstruct or influence the investigation or proper administration of any matter within the jurisdiction of any department or agency of the United States or any case filed

under title 11, or in relation to or contemplation of any such matter or case shall be fined under this title, imprisoned not more than 20 years or both.”

In the face of such risk, organizations simply must have the tools to manage the documents and records the organization produces. Automating the Accounts Payable process as an example, improves compliance. By centralizing processing of vendor invoices and using electronic approval processes rather moving the paper around, organizations can more accurately state liability in a specific financial period and avoid liability understatement or manipulation of an expense into a future period.

*The Securities and Exchange Act of 1934, Rule 240.170a-4* prescribes using non-erasable media for the storage of certain documents.

*The National Association of Securities Dealers (NASD) rule 3010* asks organizations to oversee the communications of representatives with the public. To ensure compliance, incoming and outgoing e-mails may be monitored.

*Securities Exchange Commission (SEC)* regulations require that companies maintain the latest two years of records and that those records are easily accessible. Compliance for Financial services firms typically starts with their e-mail. The SEC 17a-4 rule [for brokers and dealers] stipulates they must store their specific records, that are account transactions, for a specific period of time. In terms of retention, the regulation stipulates three years, but see a best practice being seven years ... and generally what customers are driving for. Also, the rules stipulate the data has to be stored on a medium where it can't be changed, or modified, or deleted, for the set period. E-Mail archiving that is integrated with the document management system can provide significant benefits.

*The Gramm-Leach-Bliley Act* addresses safeguarding an individual's information. Specifically, they state that an organization must identify reasonable foreseeable internal and external threats that could result in unauthorized disclosure, misuse, alteration, or destruc-

## CASE STUDY

### St. Lucie County Health Department

The Environmental Health Division of St. Lucie County Health Department in Port St. Lucie, Florida, is dedicated to providing leadership in health promotion, disease prevention and control, and environmental protection for all residents and visitors.

#### The Problem

As part of their daily activities, department employees pulled documents such as permits for the public or building contractors. Requesting documents from archives was a time-consuming and expensive process. Request forms had to be completed and filed manually. Storage boxes containing the files were then delivered to the requestor, who in turn copied, faxed or mailed the document as necessary. Then, the document was re-filed and the box was put back into storage.

The turnaround time for this traditional retrieval process was 48 hours and each request cost \$51.73 of taxpayer money. To reduce the time and expense associated with document archiving, staff compared several options, including building an in-house document management system.

iDocsNOW was able to provide a simple and cost-effective system that would keep information secure, yet make it available online to authorized users. iDocsNOW also helped the Health Department meet the necessary Health Insurance Portability and Accountability Act (HIPAA) and Chapter 1B-26, Records Management - Standards and Requirements (Electronic Record Keeping) Florida Administrative Code.

The most difficult hurdle was getting the IT department to understand that no software would be downloaded or installed on state servers in order to implement iDocsNOW. Documents at rest on the iDocsNOW servers are encrypted and secure, so information will not fall into the wrong hands. All communications through the imaging portal are encrypted as well, meeting or exceeding the highest privacy standards set by government agencies.

#### The Solution

By leveraging their existing IT infrastructure and resources, the St. Lucie County Health Department increased staff productivity and improved customer service and compliance dramatically by using iDocsNOW. Now, instead of waiting 48 hours and paying nearly \$52 to retrieve a document, public records are available online at no incremental cost to the taxpayer.

tion of customer information or customer information systems.

*Government Paperwork Elimination and Reduction Act (GPÉR)*: Former President Clinton signed the Government Paperwork Elimination and Reduction Act on October 21, 1998. This act provides organizations dealing with the government the right to submit information or to transact electronically, encouraging the use of the internet and electronic signatures.

*The Patriot Act* targeted at deterring terrorists charges banking institutions to verify the identity of their customers and maintain records of the information used to verify the customers identity.

*The Red Flags Rule* The Federal Trade Commission (FTC), the federal bank regulatory agencies, and the National Credit Union Administration (NCUA) have issued regulations (the Red Flags Rules) requiring financial institutions and creditors to develop and implement written identity theft prevention programs, as part of the Fair and Accurate Credit Transactions (FACT) Act of 2003. The programs must be in place by November 1, 2008, and must provide for the identification, detection, and response to patterns, practices, or specific activities - known as “red flags” - that could indicate identity theft.

Under the Red Flags Rules, financial institutions and creditors must develop a written program that identifies and detects the relevant warning signs - or “red flags” - of identity theft. These may include, for example, unusual account activity, fraud alerts on a consumer report, or attempted use of suspicious account application documents. The program must also describe appropriate responses that would prevent and mitigate the crime and detail a plan to update the program - including keeping sensitive information stored securely in electronic formats to prevent violations.



## eDiscovery

The process of eDiscovery can be a daunting task, with multiple systems storing data spanning a business or organization. A good way to start is to collect and preserve the electronically-stored information that carries the highest legal risk. But companies can't limit the scope to e-mail, because other content types may also be relevant to a litigation proceeding. They need to develop eDiscovery and data retention strategies for all of their systems.

Here are some best practices to consider when tackling ediscovery:

**1. Get legal on board.** Open the lines of communication with legal counsel and business stakeholders. Determine what information is stored and why. As the legal side shares its requirements, the eDiscovery team must explain the ramifications, especially if they don't have the time, budget or resources to address those needs.

**2. Set clear ediscovery policies.** Setting data retention policies in consultation with the legal staff will help the eDiscovery team make technology decisions, manage the systems, streamline processes and reduce the time needed to process information requests.

**3. Keep cleaning house.** The more data an organization keeps, the more data lawyers potentially have to sift through during the review and analysis state. That can mean millions of dollars in legal fees for some companies, even for just one lawsuit. The law requires an organization to save data relevant to litigation once it has reasonable notice. There are plenty of statutes, depending on industry or geographic location, that require some form of records retention, but aside from those retention obligations, organizations aren't required to hold the data longer.

**4. Decide which storage media meets those requirements.** The Electronic Discovery Reference Model (EDRM) outlines the steps in the eDiscovery process. An organization's legal team can clarify requirements and specific needs. Then it's typically up to the eDiscovery team to determine what technology will work best.

**5. Seek out vendors and products that can archive multiple content types.** Most organizations have multiple archives for different applications and types of content. Consolidating those systems, wherever possible, as well as establishing consistent data storage and retention policies for them, will help to restore organization to the chaos.

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## SECTION TWO:

### Selecting a document management system

You've read the brochures and visited the web sites. Now you are ready to start your search for the perfect document management system. As you begin, it's important to know the answers to the following questions: What problem is being solved? Do you need to provide remote access to branch offices or clients? How secure will your information be? How will you get employees excited about this new technology? Fill out our 'Needs Assessment' checklist at the back of this paper for more questions you should consider.

To begin the selection process, look for a company that specializes in document management. Many software companies are beginning to add a document management module to their existing applications. While this is an attractive option to companies who already use their software, it's not recommended, because it isn't their core competency.

Look for a company that has other clients in your industry. Some industries - legal and medical are good examples - have very specific needs from their document management systems, and so require a vendor 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 is another important consideration: look for a responsive, growing and stable company to partner with. The vendor should be able to demonstrate how the product will help a business, instead of just showing the flashiest features or explaining the technology behind it. Look for salespeople who ask if they can help instead of tell.

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.

#### **In-house or hosted 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. (Interested in remote backup services? Get a free quote today)

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.

*Web-based or hosted solutions.* In an web-based or 'hosted' 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 hosted 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 web-based or hosted solutions are gaining more of a voice in many companies, so the balance is expected to swing towards hosted solutions 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. Web-based systems 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 solution can provide more flexibility. Remember that you will pay a premium for the extra 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, hosted solutions can provide better security than you could in your own data center, thanks to more layers of security and larger IT staffs.

Since both hosted and non-hosted systems 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, 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.

As you evaluate different document management systems, 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.



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## How to evaluate document management systems

The most important aspect to consider when choosing a document management system 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.

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. Many applications use familiar metaphors - file cabinets, 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.

### General attributes to consider

**Security.** The more granular the security options, the better: security rules may be applicable to the entire system, per cabinet or per document. 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?

**Integration.** It is vital to find a document management system equipped with integration capabilities to exchange information with your existing systems. It should support open standards in the database and image format and should be able to integrate - in part or in whole - with other software systems you are running. To access stored information, a well-integrated system should offer single-key document retrieval from your document management system. This will allow other software programs to retrieve images right from your document management system with a hot key or series of keystrokes.

**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.

**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.** Do you think your office is too small for a document management system? Too big? In reality, most document management systems work well in businesses of any size. 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. It should also be flexible enough to work in any department (nothing specific to AP/AR, for example) and should be able to connect any number of locations.

**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.

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## 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.

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.

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 \$500. Such a machine can easily handle around 1500 new documents per week, but won't be any help in processing large backfiles of 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 pricing

Document management systems can be a major expense, but they don't have to be. You can expect to pay thousands of dollars for some systems.

For entry-level in-house 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 web-based models, you can expect a minimum of \$100 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 hosted 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 by an outside scanning bureau, 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.

## Installation and Training

Once you agree on a contract, the document management vendor 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 vendors 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 and installation is instant.

## Support

In the support area, 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, e-mail, 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.



## Section Three: Implementing Your Document Management Program

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.

*Look at your current files.* 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. Explaining (or showing) time and money savings that result from a document management system, you should be able to get executives on board.

### Existing paper files: to scan or not to scan?

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 can be expensive and time consuming. Instead, some 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 shredded. This approach means you can get started much more quickly since there’s no delay

### Tips for getting started with a document management system

*Categorize Documents:* Creating categories for documents makes information retrieval easier. For example, company W-2s could be contained in one category.

*Utilize Existing Electronic Documents:* Text files, PDFs, spreadsheets, and other important files should be incorporated into the document management system. Focus on the documents relevant to the problems being solved.

*Formally Review Documents:* If company approval is needed before documents can be posted, put an appropriate system in place. Make a decision about which documents are dynamic and need to be edited. Decide which documents need to be permanently archived.

*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.



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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 could utilize a back-file scanning service or tackle one file cabinet at a time. One client implementing a document management system solicited an intern from a local college and had them organize and scan in back-files every afternoon for a month. Another tasked the administrative assistant to tackle one drawer in the file cabinet each week.

If an organization chooses to scan the backlog of paper records, a decision will need to be made as to which records have priority. Most likely, records that have the longest retention schedules and are required to be maintained for audits and to be compliant with laws will have higher priority.

It is very common for organizations to pick a slight mix of both processes. An organization might designate certain backlog records that are vital to business operation and digitize those records, while ignoring other backlog records. All new records will be scanned, as well.

## **Naming conventions for index values**

When you are setting up index values, don't try to account for every possible document and department in your business. Start with one department and decide which index values make sense for that area. For example, if you are a real estate broker, common index values include seller name, buyer name, address, MLS number and document type. You could create an index value for subdivision name as well, but do you use that to look for documents now? As you are defining your index values, look at your current file folders and make sure that you have at least the same information that you have written on the tabs. More is great, but not essential. And, if you purchase a document management system with keyword searching, the index values are even less important.

If the index values for your company change from department to department, consider setting up separate file cabinets for each group. This will allow more custom filing while keeping access limited to a select number of employees.

## **Setting up users and access rights**

Before you start rolling out the system internally, you'll need to assign user IDs and passwords. That way, new users can begin working in the document management system right away. Some document management systems will give you password security options, like how many days between password changes and strength of the password overall. Try to remain consistent with your other online policies for passwords and security.

In addition, most document management systems allow you to set access levels by document or index value. This means that you can make sure only people in Accounting can see invoices and only people in HR can see employee files.

## **Implementing a system**

*Create a plan.* Before you roll out the document management system, spend time planning for the implementation. Create a project team that includes people who will be using the system on a daily basis, IT and upper management.

*Schedule status and milestone meetings.* It could be as easy as checking in once a day to make sure things are going smoothly, but make sure you have a follow-up plan in place to gauge the system's effectiveness. Milestones could include rolling out the document management system to other departments or completing back-

scanning of all of the documents from the warehouse.

*Train.* The introduction of a document management system will affect many levels of employees, and for that reason, a good deal of education is needed. Early on, conduct classes for the system administrators. This “train the trainer” method will ensure that several people know the ins and outs of the document management system and can train other departments or groups as implementation spreads. It will also give daily users a chance to identify any problems (real or perceived) with the document management system and setup before the majority of your staff starts to use it.



Your system administrators can then train groups on the specific document management functions that are relative to their jobs. During training, have users log on using their own user accounts and work with actual file cabinets and documents that will be a part of their daily tasks. Consider introducing the system during a series of lunch-and-learn sessions. Free pizza and a quick demonstration may keep their interest better than your typical PowerPoint presentation. You can also give each person a manual or quick reference guide with general usage tips.

Offering personalized training is a key ingredient in obtaining acceptance of any new business system. Although it might be more difficult from a training perspective, hands-on interaction with the user logging on to their individual account establishes a sense of ownership. Once they reach that level of comfort, most users will support the idea of using the document management system on a regular basis.

*Designate a support team or person.* Regardless of how big or small your organization is, designate one or two people as “go-to” personnel for questions on the new document management system. This ensures everyone is using the system in the same way and helps reduce the number of support calls that need to be made. Documentation of the system should also be available to all users.

*Rollout the system.* As mentioned earlier, start slow. Add document management one department at a time to ensure the system works the way you believe it should. Work out any bugs or confusion before implementing the document management system company wide.

*Communicate.* Successes (and failures) need to be communicated to everyone involved in selecting and using the document management system. Whether it is a face-to-face meeting or a page on your company Intranet, let everyone know how the system is working and what to expect moving forward.

## Conclusion

It doesn't matter what industry you are in or how big or small your company is, documents often hold the key to an organization's future. The most common natural and man-made disruptive events can yield disastrous results to a company's unprotected records, and hence to its public image, legal protections, customer satisfaction and employee retention. Fortunately, today there are tools and techniques like document management systems that, if deployed properly, can reduce those risks.

Any business that is serious about planning for contingencies must include strategies for recovering paper records as an integral part of its business continuity program. In addition to the benefits of compliance, organizations with robust document management plans typically enjoy significant cost savings and increased productivity. After deploying a digital work environment, companies often find that cost savings are immediate. Increased productivity results from easier access to operational data and organizations are no longer burdened with significant printing costs — effectively creating a win-win situation for everyone involved.