Cutting Paper:

The SME FD's Guide to Document Management

A White Paper by Pegasus Software

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Understanding the challenge

Research[1] commissioned by Pegasus Software highlights that slow economic recovery combined with a steep increase in costs are the biggest pressures facing SMEs[2]. This is closely followed by the need to perform too many job roles, ensure compliance and drive innovation.

With so many pressures to juggle, how can SME Financial Directors (FDs) ensure profitability against the odds? How should FDs address the financial squeeze and sharply rising costs, and navigate the red-tape maze?

This white paper examines the pressures facing SME FDs and explores the opportunities, specific skills and resources FDs need in order to drive growth, cut costs, increase profitability and boost their contribution to the economy.

One area in particular which is negatively impacting SMEs and resulting in leaked profits is poor management of business documentation. This paper will focus on how much this is costing the average SME, how SME FDs can stem this loss, how to select the right solution and how to avoid common pitfalls.

Throwing away profits

According to research consultancy YouGov, SMEs are wasting £42.2 million of revenue every day through searching for documents. The research highlights that company directors and managers spend up to an hour every day searching for documents which have been mis-filed, moved to a new location or lost. The research calculates that an hour's productivity is worth £88 on average, therefore the cost could amount to £4400 per week for a company which has say, 10 directors.

This lost time would otherwise be spent on business development according to 31% of those surveyed, indicating the scope of lost revenue as a result of poor document management.

Yet despite loss of productivity and impact to the bottom line, very few SMEs (7%) claim to store more than 91% of their documents electronically. And less than a quarter (23%) of SMEs claim to have implemented a digital document management system, highlighting that the gap between productivity losses and action to address these losses is still too large.

Research and advisory network Gartner claims that, while the principles of efficient records management haven't changed, the availability of better document management solutions has. Storing, filing and timely retrieval of documents has always been the holy grail of maximising productivity. But what has changed in recent years is the fact that technology has transformed the media in which records are kept and enabled faster retrieval, thus representing an opportunity to exploit growth which didn't exist a few years ago.

But lost productivity is only one consequence of poor document management.

Staying in control

Research by UnLtdWorld.com found that about 40% of SMEs experienced cashflow problems during the economic downturn. Experts advise SMEs to keep a very careful eye on cashflow, slow payments and potential bad debts so there are as few surprises as possible.

Traditionally companies tend to review income and outgoings on a monthly basis. Having all documents attached to a single file means that, as part of a workflow system, reviews of income and outgoings can take place on an ongoing basis, enabling SMEs to be on the front foot and mitigating some cashflow problems.

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[1] *Research was commissioned by Pegasus Software and polled 450 SMEs in May 2008.*

[2] *An SME is an enterprise which employs fewer than 250 people, has an annual turnover of less than €50m and has no more than 25% of its capital or voting rights owned by a larger form or public body (European Commission).*

Reducing overheads

In certain industries high volumes of paper documents can account for unnecessarily high overheads. Following implementation of a document management solution, one housing association was recently able to streamline its premises from three buildings to two, making huge savings in rent and energy bills. Transport costs were also reduced as staff no longer had to travel to a separate site to retrieve archived documents, and morale was boosted considerably as retrieving documents relating to a customer service query now takes a few seconds, as opposed to a few hours. This in turn clearly has a positive impact on customer service as queries are resolved in a single conversation.

The green office

Research from Fujitsu Siemens Computers reveals that British offices are responsible for printing up to 120 billion pieces of paper every year, the equivalent of a paper mountain over 8,000 miles high, indicating that paperless offices remain truly rare.

The average British office worker prints off 22 pages every working day. However, the findings show that much of the printing done in offices is unnecessary, with over half of workers (53%) admitting to having printed the same document several times by mistake. Two in five (43%) have picked up someone else's printout by mistake and, more worryingly, 8% admit to printing e-mails before they've read them.

As pressure increases to boost green credentials and meet environmental targets, it becomes clear that such volumes of paper are not sustainable. Storing key documents centrally can have an immense impact on paper usage and wastage.

The paper-less paper trail

In light of the US Supreme Court overturning the conviction of accounting firm Arthur Andersen for the destruction of Enron-related documents in 2005, Gartner set out clear advice for all organisations to adopt a clear document management policy.

Pivotal to the case was Arthur Andersen's document management policy. They argued that their employees were following company document retention policies in shredding tons of unwanted documents, and that there was no intent to thwart a US Securities and Exchange Commission probe into their client, Enron.

Following the case, Gartner recommended four principles for companies to achieve best-practice document management:
1) Establish a document retention schedule that includes document lifecycle management and legal destruction.
2) Train employees and third parties (such as key business partners, vendors or contractors) on the policy.
3) Follow the policy and implement any technology necessary to make it as easy as possible for employees to comply with it.
4) Implement compliance review and audit policies to ensure compliance.

But watertight document management is only one aspect of the legislation maze.

Regulating processes

New rules around the employment of migrant workers have placed pressure on HR and payroll processes. As part of a government crackdown on illegal working, all companies now have a responsibility to monitor migrants' immigration status and prevent illegal employment. This involves keeping records and storing documents which include passport, immigration status document and ID card (once introduced). Employers also have a responsibility to establish a method of monitoring the dates of any permission to enter, remain in or leave the UK, and to ensure that they do not continue to employ a migrant who is not eligible for employment.

It is imperative that documents are stored in an easily accessible format. Also, through linking to a workflow system which can alert HR professionals to review records at key points, it need not create excessive administration.

Research from Pegasus Software highlights that the regulatory burden on SMEs has worsened over the last few years and is set to deteriorate. It also concludes that Government targets for cutting the amount of regulation facing SMEs don't go far enough and while 40% believe the targets are simply not enough, 30% say the commitment represents little more than "lip service".

Imploding the paper mountain

There's no question that information is vital to the success of any business. But the extent to which it adds to the profitability of that business resides in how it is managed. Physical handling of documents is time-consuming, onerous and expensive and, as the pressures on SMEs increase, rarely a viable option. Spending hours sifting through paperwork looking for information is not just unfeasible but counter-productive, particularly when there are tools available to source the relevant piece of information, in the appropriate format, at the click of a mouse.

As technology continues to mature, there is a shift in demand for different types of document management. A few years ago, SMEs demanded automation of outbound documents such as sales invoices, statements and payments. Now that much of this is contained as standard in accounting systems, inbound documents present the greatest opportunity for improvement. The explosion in incoming paperwork means that it is imperative to manage it effectively.

A document management application represents a complete image capture and file management system that captures all essential documents and stores them electronically, for instant access. Most organisations receive high volumes of supplier invoices which all vary in format. By using an effective document management solution, these can simply be scanned as they are received, matched to the appropriate purchase order, filed electronically and retrieved at the touch of a button upon any query or reconciliation.

Document management solutions can be incorporated into workflow systems to expedite productivity even further so that, for instance, the arrival of an invoice will notify appropriate personnel to code and route for authorisation.

And while the functionality of document management systems has increased significantly, the cost has actually fallen and against the potential productivity gains, such systems are extremely cost effective.

Selecting the right tools for the task: how to select the right solution

For important decisions to be made quickly, access to accurate and real-time information is critical. The right document management solution can result in a myriad of benefits but it is important to get it right. The following questions to ask should form the basis of a checklist when reviewing providers of document management solutions:

1)   Do you provide an end-to-end document management solution?
2)   Does your document management solution integrate with accounting and ERP systems?
3)   What is your after-sales support like?
4)   What return on investment can I expect to achieve?
5)   Are you UK-based?
6)   Do you have an established customer base?
7)   Do you have customer reference sites we can visit?
8)   What is the product roadmap for your document management solution?
9)   How long will it take to implement the solution?
10)   Is it designed specifically for the needs of SMEs?

Ultimately, by adopting a document management solution designed to address the specific requirements of SMEs, organisations can stem the flow of lost profitability, ensure compliance and support the drive towards being green.