



# Avoiding Common Mistakes When Choosing A Document Management System

*"We've lost the Higgins file again!"*

## What is Document Management?

*Unless data is available  
to the right people  
at the right time,  
your documents are not  
being truly managed.*

*Neither is your business.*

Someone moves a piece of paper – a contract, a letter, a lease – from one side of a desk to the other. From one side of a building to the other. From one side of a country to the other.

Somebody else files a document into a metal cabinet, and there it remains ... for years. Or they scan it, mislabel it, and nobody ever sees it again.

Business documents are either in motion or at rest. But unless the data they hold is available to the right people at the right time, the documents are not being truly *managed*. Document management without content management will disappoint every person who relies on the system.

A typical employee will encounter and "manage" thousands of pieces of paper, email attachments, and online files. This person needs proper guidance to ensure that each document will end up where all appropriate users can easily access, analyze and act upon the information it contains.

### Hard-Copy Filing Systems

The agreement is signed, and the paper is put into a file cabinet. This system may work well – until the information needs to come out of hiding to support ongoing business decisions. Then, the person who wants the document must hope that it remains in the appropriate folder in the correct drawer of the right cabinet. If only one employee knows the location, then the temporary absence of that employee can lead to embarrassing delays and lost business.



*Employees sometimes use language that is clear to them but cryptic to everyone else.*

### **Spreadsheets**

A good employee takes ownership of work – and is willing to share. Many otherwise great employees are territorial with the data entrusted to them. Territoriality can cripple business operations. Data-hoarders often create detailed spreadsheets using language that is clear to them but cryptic to everyone else. For example, when recording the length of a contract, they might enter “3.” Does that mean three months or three years? The spreadsheet originator knows the answer, but to others or to a database formula, the answer is not clear.

Data can be “held hostage” by one person, a common situation which protects that person’s employment but impairs the effectiveness of other employees.

### **Digital Scanning and Filing**

Many companies use scanning systems to transfer images of paper documents to a shared file server. These systems are a baby step in the right direction.

To implement this solution, users could simply scan, label, and save each document. In an ideal world, all users would name all document image files clearly and consistently, and save them to the appropriate folders in a well-organized network.

This ideal is rarely attained. Multiple users often enter huge volumes of documents without adhering to a carefully planned indexing system. The latest Higgins inventory report might take hours to retrieve if it ends up with the mysterious default label of “image2012b-1.tif.”

*Users enter huge volumes of documents into the system without a carefully planned indexing system.*

Another major flaw with the shotgun scanning approach is the lack of searchable summaries and data fields for each file. For example, if a manager wants a report of all Higgins vendor agreements that expire in 2016, somebody may have to spend the better part of a day working on the project.

### **OCR Data Capture**

The next step toward a useful system might be the implementation of OCR (optical character recognition) data capture technology in the scanning process. High-end systems can recognize appropriate categories of information in paper documents and move that information to a database. The process works best *if* all documents in a group have identical layouts, and *if* the document group fields have been set up properly in the system, and *if* people have been very consistent in the way they enter information, and *if* the scanning software correctly recognizes each character.



The reliability of an OCR system can be hampered by an inability to understand context, recognize discrepancies, and process novel items. For instance, a contract may cover renewal provisions in Section 10. Section 15 might reference "Section 10" without using the word "renewal" and without using the standard format found in other contracts of the same type. Before choosing an OCR data-capture system you should ensure that your documents will follow entirely consistent layouts in a fixed format. Switching to a fixed format system will limit your flexibility and capacity to adapt to changing needs...

### **Document Management Software**

A variety of document management software packages are available on the market. Like most business database programs, these solutions enable users to organize, manipulate and share vast amounts of information – *when implemented correctly.*

*Many software options target the creation of new documents, not the huge backlog of paper documents.*

That's a demanding goal. Whether they are stand-alone or integrated into "enterprise resource planning" systems, many document management software options target the creation of new documents, not the backlog of paper – hundreds or thousands of important documents. How will you transfer the legacy information from decades of written agreements to your database? Are your employees properly trained in this procedure? How will they respond to an enormous increase in their workload? If documents fail to enter the system efficiently and accurately, the result will be a costly document mismanagement system.

People resist change. Managers sometimes imagine that a few hours of training will prepare employees for a comprehensive overhaul of the way they conduct company business. Even if a new system could make their jobs easier in the long run, people will fight an extreme operational makeover. Their resistance will increase when they sense that their supervisors feel daunted by hundreds of complex details. Bells and whistles can help or they can get in the way. Complicated software packages often fail to live up to their promises.

You may be able to avoid panic and gridlock by providing good answers to the following questions. **How** will employees know the right way to complete each task? **Who** will teach them the step-by-step process for deciding which documents should be entered in what way into which part of the system? **What** guidelines will apply to creating, indexing, naming, abstracting and filing new documents? **How** will managers know that their subordinates are doing the job correctly?



*Whatever system you choose for your company, remember that people should drive the technology, not the other way around.*

Comprehensive staff training is critical. Whatever system you choose for your company, remember that people should drive the technology, not the other way around. Also remember that implementing a system is only the first step. You must also monitor people's adherence to guidelines and enforce or change those guidelines when people ignore them.

You should consider assigning one or more specialists to handle the process of moving data from your documents into your database. That choice is often best when a company lacks a reliable automated system for capturing data at the time of entry from one or more common types of document. You can expect a small number of specialists to perform more reliably and consistently than a large number of people who are jacks of many trades. Ask your Human Resource professionals if outsourcing this function will make sense for your company.

## **Is Your Current System Good Enough?**

Most companies have some variation of the systems described above. Is yours working? If so, then you should be satisfied with the answers to these questions:

- Can the people who need your documents and records access them quickly and easily?
- Can multiple people access them on demand – or do specific individuals within your organization control the documents?
- Do your company's decision-making processes feel streamlined or haphazard? (For instance, do your sales representatives complain about waiting for information and approval from too many people when they need to close deals fast?)
- Do your employees spend too much time searching for information from documents?
- Can you generate meaningful operational reports?
- Does the software work nicely or is it cranky?
- Are you making your clients wait for answers to important questions?
- Do your employees present an image of efficiency and professionalism when clients communicate with them about information contained in company documents?
- Does your company ever miss crucial deadlines when expiration dates or renewal dates escape the attention of employees?



## How Can Document Management Cut Expenses and Boost Profits?

Out of the file cabinet, straight to the bottom line. If your document management system is fragmented and disjointed, it will drag down your company's profits.

There is a compelling business case for investing in the transfer of data away from individual fiefdoms and into a remotely accessible, coordinated, controlled database.

### Making Employees More Productive

When employees cannot quickly access documents, from invoices to customer agreements, they will lack the information needed to service their customers – both internal and external. This wastes time and breeds frustration.

*It took six people nearly **four days** to complete the reports.*

*Using the system, it now takes five people **four hours**.*

Another time-waster is the preparation of manual reports. One company used to assign six people to the task of compiling information for their monthly standard operating reports. This task took them nearly four days. Now, using their new database, five people complete the reports in four hours. That's a savings of more than 18 employee days!

Higher productivity and lower overhead will give you more options. For some companies, reducing staff size will make the most business sense. For others, assigning previously-wasted time to revenue-producing activities will be the better decision.

### Reducing the Cost of Storage

Companies spend an alarming sum on document storage. One Pittsburgh company with fewer than 150 employees spent \$50,000 each year to store documents off-site, and \$25,000 each year to transport files to and from storage.

*The square footage occupied by their filing cabinets equaled two full wings of office space – renting for \$125,000 per year!*

They estimated that the square footage of all filing cabinets at their offices approximated two full wings of space. At the rate they paid for rent, that equated to \$125,000 a year!

### Facilitating Compliance With Regulations

Thousands of federal, state, and local laws govern your record-keeping. Regulations apply to job applications, employee records, accounting worksheets, internal communications and nearly every other type of document that links your company to its employees, clients and vendors.



The Sarbanes-Oxley Act mandates retention of specific types of records for specific time periods. It criminalizes the activities of executives and employees who obstruct justice by destroying or tampering with corporate accounting records. Fines and long prison terms can await those who fail to comply.

Effective document management systems can alert the appropriate "record guardian" when documents are scheduled for destruction. This proactive stance helps companies to avoid wasting millions of dollars on storage of unneeded documents. It also protects you against liabilities.

### **Finding Trapped Data and Setting It Free**

Critical business data can be held hostage – on paper, in filing cabinets, in spreadsheets on computers, or in employees' heads. Many employees don't want to relinquish control of documents and information to others. Some consider this a strategy for job security.

However, employees do get fired. Or laid off. They also get promoted, reassigned, sick ... and sometimes they get an offer they can't refuse from another company.

So, when employees keep systems for managing contracts and agreements "in their heads," or on spreadsheets in their computers, what happens to their "system" and that information when they leave? Retirees are frequently brought back as consultants because nobody can access the information they managed, which means "nobody else can do their job."

When you implement a document management system, you systematically track down and rescue data, escorting it to a digital location where all relevant staff members can find it – even after the originator is long gone.

### **Defusing Time Bombs**

Company deal-makers work hard at the negotiation table, finally agree to terms and conditions, dutifully record them, file them ... and forget them. Proactive money-saving measures are ignored and, eventually, small sparks of trouble grow into bonfires.

In far too many cases, nobody revisits the agreements and their key terms and conditions until there is a problem – typically financial. By the time you discover a discrepancy, losses may be inevitable.



*A company was paying tens of thousands of dollars in fees for software that it no longer used.*

A chemical company once failed to renew its ground lease prior to the termination date. A renewal clause was clearly stated by the landlord but forgotten by the company. They lost the lease and had to move an entire chemical plant – which cost them \$17 million.

Another company neglected to increase prices in accordance with its customer agreements – losing more than \$800,000 a year of reoccurring revenue. Another was paying tens of thousands of dollars for license and maintenance fees for software it no longer used.

## **What Mistakes are Most Common When Choosing a Solution?**

Suppose you have decided to invest in a new document management system. Now what? To choose the right solution, you should avoid the following common – and costly – mistakes.

### **Export of Business Decisions to IT Personnel**

An effective document management system is one-third software and two-thirds human behavior. Business priorities, long-range strategic plans, resources for staff training, preferred process for information flow, quality controls ... all of these issues should guide the choice of software or services.

The IT staff plays an important role in *implementing* a system, and they should be involved from the start in researching the options available on the market. However, they shouldn't select the system or decide which processes to outsource.

*Don't export a business problem to the IT Department.*

A document management system is a business tool; be careful to avoid exporting this decision to people whose area of responsibility does not include strategic business goals.

### **Failure To Get Buy-in from the Front Line**

Don't buy shoes for people if you don't know their shoe sizes. This is the route many managers take when selecting a tool that employees will use. They choose a document management system without getting input from the people who are up to their ears in documents.

*Administrative staff must be involved in your research.*

Administrative staff must be involved in your research. They create the operational reports; let their frustration guide your list of "must-have" options in the system you choose.



Also, be sure to get buy-in from your legal and contract management departments, the CFO, the IT department and other key individuals who will live with the consequences of your choice. This system will impact the way their departments operate.

### **Underestimation of Training Requirements**

Rome wasn't built in a day. Don't expect that every employee will do things "the new way" from Day One.

Rather than forcing a company-wide implementation, opt to ease the new system in a few departments at a time. Why? Every department has unique needs and ways of meeting those needs.

*Ease the new system in,  
a few departments at a time.*

Pay close attention to employee feedback from the outset. Make changes to the system in the early stages of implementation to avoid the frustration of forming and then breaking new habits. Adaptation is a normal facet of business life. Wise leaders will encourage and cultivate an orderly process of change rather than forcing preordained commandments on people.

### **Underestimation of Workload During a Transition**

When faced with a vast backlog of documents for the new system, managers may start out complacent, and subordinates may end up overwhelmed. Too many managers believe that an administrative assistant, with perhaps a few temporary clerical helpers, can process information from decades of documents in his or her spare time.

Wishful thinking will get you in trouble. How many employees really have a deep reservoir of spare time? How will they find the time to enter an enormous backlog of data into the new system? Answer: They may get the new job partly accomplished in a haphazard way by cutting back on other productive activities. They will rightly blame their managers when important tasks remain unfinished.

*Data is a business tool and a  
valuable company asset.  
Trust it only to staff who are  
equipped to manage it.*

No two contracts are identical. They require professional discernment. The proper level of judgement and care is unlikely from part-time, temporary clerks. Data is a business tool and a valuable company asset. Trust it only to staff who are equipped to manage it.



*Don't scare your employees.  
Make it easy for them.*

### **Failure to Consider Workflow Processes**

Trainers should first explain how to process documents, then observe learners' activities and provide feedback. They must also teach which documents will be entered into which parts of the system.

The new "document flow" processes should, to the extent possible, be closely aligned with existing business procedures. Explain benefits of the new system along with rules and procedures. Don't scare your employees. Make it easy for them.

Whatever system you choose for your company, remember that *people should drive the technology*, not the other way around. Your document management philosophy must encompass the whole picture – yesterday's documents, today's habits, and tomorrow's business goals.

## **What Features Characterize a Good System?**

Your new system should be able to manage a **variety of documents** – from leases to software licenses, purchase orders, customer contracts, etc.

It should be able to **capture key terms and conditions** that your Legal Department, Business Department and Contract Administration Department identify as critical. For instance, it should be able to capture party names, assignments, terms, and renewal information.

To that end, the system should be **flexible** enough to recognize that you probably won't desire the same information for a lease agreement as you would with a purchase contract.

The system should be able to retrieve images and key terms and conditions with a **simple but powerful search feature**.

It should **generate meaningful reports** that allow you to track employee efficiency and improve the delivery of products and services. A typical query might be: "Show me all customer agreements that will expire in the Northeast Region by the end of December, and tell me the salesperson in charge of each account."

It should **alert** you when key terms and conditions are about to come due.



Because employees possess widely different computer skills, your system should be **easy to use**. An overwrought system could easily grow into your worst nightmare.

It should have **security measures** in place to prevent unauthorized individuals from viewing and downloading sensitive business information.

Your means of access should be through an Internet connection. You are in Boston. The contracts you need to review are in Dallas. If your document management system is **web-based**, you will be able to access documents – securely – from anywhere.

It should serve you with a **guaranteed level of reliability** that matches your tolerance for error. Beware of claims that are not backed by a written guarantee. The difference between a 10% rate of error and a 1% rate of error might have serious consequences for your bottom line.

**For clarification or additional information, you can call (855) 405-9048.**