

# Document Management:

A Practical Guide for Midsized Organizations



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## Executive Summary

Despite widespread automation, midsize organizations continue to rely on paper documents for one simple reason. Paper remains convenient and easy to use. Yet, paper documents can reduce efficiency and increase costs for a wide range of business processes.

Midsize organizations recognize the significant benefits of deploying a document management system that combines paper documents with an electronic environment, however, traditional document management systems are built for very large organizations, and these systems fail to take into account the unique needs of smaller organizations.

This guide summarizes the challenges faced by Accounting and IT departments in midsize organizations, and it presents a list of “must have” document management capabilities for each department respectively.

In the Accounting department for example, an integrated document management solution for midsize organizations should provide the following functionality:

- **Document Capture**
- **File Management**
- **Document Design**
- **Document Output and Delivery**
- **Records Management**

In addition to the Accounting requirements, midsize organizations need IT solutions that are:

- **Modular**
- **Scalable**
- **Easy-to-deploy and maintain**

An overriding concern for both Accounting and IT users is ease of use, which will often determine the success or failure of the initiative.

This guide describes the Accounting and IT capabilities necessary to create a blended electronic/paper environment in midsize organizations and the resulting benefits.

## Accounting Faces Broad Document Management Challenges

Despite widespread use of automated accounting or enterprise resource planning (ERP) systems, Accounting departments in midsize companies (with 100 to 1,000 employees) continue to rely on paper documents. In fact, as recently as 2004, Document Magazine placed the percentage of all information on paper at 95%.

Whether the documents are printed, faxed, or stored and retrieved in paper file cabinets, some portion of an organization’s internal business operations, as well as those shared with customers, suppliers, and partners, will probably always remain paper based; after all, paper documents are easy to read, transport, and use.

Yet, the use of paper documents can significantly reduce productivity and increase costs in a wide range of accounts receivable business processes:

- **Producing and Distributing Invoices**
- **Storing and Retrieving Copies of Invoices**
- **Managing Related Documents**
- **Complying with Government Regulations**
- **Managing Records**

## ***Producing and Distributing Invoices***

Many Accounting departments send customers invoices in paper format.

- Creating invoices often requires the use of slow, dedicated impact printers that print the invoice data from an accounting/ERP package onto a pre-printed form. These printers and pre-printed forms are expensive: making changes to the forms, such as a change of address, means the organization must throw away the old form and order a new one.
- Companies that generate large volumes of invoices and other documents such as purchase orders may hire an outsourced firm at considerable cost.
- Additionally, distributing invoices through the postal service adds to the costs. Postage and envelopes are expensive and the process is time consuming.

## ***Storing and Retrieving Copies of Invoices***

Accounting departments need to store and retrieve copies of invoices in order to answer customer questions, or for reference during collections without having to recreate the invoice from the accounting/ERP system.

- Manually filing copies of these documents is tedious and time consuming.
- Paper documents are easy to misplace or lose.
- Paper documents are difficult to access in a timely manner when the customer is on the phone, which means that the Accounting department must hang up, go to the filing cabinet, retrieve the invoice, and then call the customer back.
- Misplaced documents result in longer hunts.
- When a company spans multiple locations, access becomes even more complex.

- As a result, paper storage and retrieval causes considerable manual work and costs, which multiply as the number of invoices increases.

Research from the Delphi Group<sup>1</sup> indicates the magnitude of the challenge and cost:

- 90% of typical office tasks revolve around paper gathering and distribution
- 15% of all paper handled is lost
- 30% of knowledge workers' time is spent trying to find lost documents
- Companies spend an average of \$25,000 to fill a typical four-drawer file cabinet; \$2,000 to maintain it each year
- Over the course of its life, a single piece of paper costs an average of \$30

**The impact of this “paper chase” is not limited to administrative personnel:**

- 51% of executives, IT, and business managers surveyed, spent at least 2 hours a day seeking information.<sup>2</sup>
- Executives waste six weeks per year searching for lost documents.<sup>3</sup>

## ***Managing Related Documents***

In addition to keeping track of the invoices themselves, Accounting departments must also manage numerous related documents: purchase orders, shipping documents, packing slips, bills of lading, proof of delivery, and copies of the checks. Manually storing and retrieving all of these

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<sup>1</sup> The Delphi Group, [www.delphi.com](http://www.delphi.com)

<sup>2</sup> The Delphi Group, [www.delphi.com](http://www.delphi.com)

<sup>3</sup> FastCompany Magazine, 8/2004

documents (for example, to verify shipment or payment) is tedious and time consuming.

### ***Recovering from Disasters***

Hurricanes Rita and Katrina dramatically illustrated the risks for organizations that maintain records entirely in paper format. Many organizations, including physician's offices, law offices, schools, even courthouses lost most of their paper records. Similar losses can occur during earthquakes, fires and other natural disasters. Even if an organization were to store paper copies of every document in a separate location, however, it would face the additional challenge of keeping track of the correct version of working documents.

### ***Complying with Government Regulations***

Regulations, such as Sarbanes Oxley and others, increasingly require companies to keep track of all financial information including copies of documents related to financial transactions, such as invoices, purchase orders, etc. These regulations also require organizations to institute and evaluate the effectiveness of controls over financial business processes—which can extend to those processes that control the use and access to financial documents. The use of paper documents makes it difficult to demonstrate control over the use and access of those documents when they are in paper format.

### ***Managing Records***

Regulations require organizations in many industries to implement document retention and destruction policies. For example, the IRS requires many industries to maintain paper documents for seven years and then archive or destroy them. It can be difficult to manually track the age of paper documents to comply with these policies.

## **IT Challenges**

IT Departments are Stretched Thin. Midsize organizations realize that IT solutions can help them create a blended electronic/paper environment. However, their IT teams are stretched thin with tight budgets. As a result, midsize organizations need IT solutions that are:

- **Modular** — rather than implementing a large, feature-rich system all at once, midsize organizations need to address their most pressing issues first, then expand their use of the system incrementally to meet additional requirements as their needs evolve.
- **Scalable** — to allow organizations to support their existing user base and document volume, yet add users and documents as the organization grows.
- **Easy-to-deploy and maintain** — to minimize impact on IT staff.
- **Easy-to-use** — to reduce end user and IT training costs.

### **Previous Solutions Have Been Tailored to Large Organizations**

In the past, organizations had a choice of niche solutions that included:

- Enterprise Content Management (ECM) solutions that create/capture, manage/secure, store/retain/destroy, publish/distribute, search, personalize, and present/view/print electronic content, including text, audio, and video.
- Enterprise Document Management (EDM) solutions that track, share and protect business documents.
- Business Process Management (BPM) tools that optimize business processes or adapt them to new organizational needs.

- Electronic Records Management (ERM) tools to manage the storage, archiving, and destruction of content to help companies prepare for new regulations, discovery requests, and lawsuits.
- Electronic Document Distribution (EDD) systems that use print, fax, or email to automatically deliver internally designed electronic documents to recipients and route incoming electronic documents to specific users or departments.
- Information Lifecycle Management (ILM) solutions to manage information growth, storage, and retrieval over time, based on its value to the organization.

As a result, addressing the full range of document management challenges could involve installing several solutions with different hardware requirements, administrative and user interfaces, as well as support and maintenance contracts.

Moreover, most of these solutions are designed for larger organizations, which means they offer large sets of features at a higher price point than Midsize organization can afford, often costing \$100,000 to more than \$1M.

An incremental approach is needed. Midsize organizations need a complete, yet less costly solution. They need a solution that offers not the most comprehensive functionality, but the most essential features. This solution must also be highly scalable and modular so it can be implemented incrementally.

In the past, IT professionals typically designed a complete solution, then developed and deployed it. However, this approach of creating a 100 percent solution increased implementation cost and the implementation was frequently off the

mark as initially designed, requiring additional updates in the field. A study by the Association for Information and Image Management (AIIM) revealed that planning and managing the implementation are considered the biggest roadblocks to deployment, a view that confirms the need to rethink embarking on complex enterprise-wide initiatives.<sup>4</sup>

More recently, IT has come to realize that it needs to start small to gain experience with the technology, learning lessons that can make subsequent rollouts easier. IT now often starts by selecting applications that will deliver rapid value, payback and benefits to users' day-to-day job functions—benefits that IT can promote when expanding the rollout to other users and projects. The Accounting department is often a good place to start, and further focusing the project onto specific department functions like Accounts Receivable and Accounts Payable will often yield the kind of ROI that makes subsequent projects an easy sell. A highly-scalable modular solution enables such an incremental rollout.

## Meeting Accounting Requirements

An integrated document management solution for midsize organizations should provide the following functionality:

- **Document Capture**
- **File Management**
- **Document Design**
- **Document Output and Delivery**
- **Records Management**

<sup>4</sup> AIIM Industry Watch 2006

## **Document Capture**

Accounting departments receive numerous documents related to invoices and accounts receivables in both electronic and paper format. Document capture capabilities allow them to capture documents that are already in electronic format, for storage in the central repository. Scanning capabilities allow organizations to convert paper documents, such as shipping documents and bills of materials, to an electronic format. Batch scanning capabilities allow Accounting departments to empty entire filing cabinets for electronic storage.

Once the documents are imported or scanned, these systems can use existing metadata in electronic documents (author, date created, etc.) as the basis for the document index. Scanned paper documents, can be run through an OCR (Optical Character Recognition) process to recognize the print and enable full-text search. In addition, a document class (e.g., PO, Invoice, Sales Order) can be assigned to the document. Metadata pertaining to the selected document type (e.g., Invoice Number, Company Name, Total Amount) can then be indexed to provide additional fields on which to search. These fields along with the document name and folder can be automatically populated using technologies like Zone OCR and Barcode Recognition. The metadata attached to a file is essential to document retrieval, allowing for fast, precise searches without taxing the system with a full-text search that scans all the text in the body of captured documents.

## **File Management**

Once the document is captured and indexed, file/document/content management capabilities control the storage and retrieval of electronic files from a single electronic repository. A common repository eliminates disparate silos of information and accelerates information transfer since all users know where to go to find all the

information they need. Document/content management capabilities include:

## **Document Storage**

Once documents are captured with associated metadata, they are stored in the system, available for users who have been given access to them. The software should store changes to documents, creating virtual volumes of documents that encompass the different versions of any given document.

Another important consideration is the format in which the files are stored. Systems commonly use .pdf and .tif formats for scanned documents. The benefit of the .tif format is smaller file size, however the .pdf format provides superior options for search and editing. Unstructured content such as files from office applications (Word, Excel, PowerPoint) and other electronic files are best stored in their original native formats. This is the most flexible approach, because the files are not altered, and it avoids the pitfall of being locked into a proprietary file format.

## **Search and Retrieval**

Document search enables authorized users to instantly retrieve any information resource in the repository. It can be easy to get caught up in the sexier features of a document management system, but don't forget that much of the benefit of the document management system is dependent on the ability of users to quickly and easily locate and retrieve files stored in the repository.

Search capabilities using metadata or full-text search to enable users to easily locate documents. These capabilities vary in form and sophistication including searches for text, creation and modification dates, access dates, all the way to phonetic search (search based on

what words “sound” like). A key consideration is the speed of the search: can the search function of the system quickly sift through a large number of files that occupy a significant amount of disk space and accurately deliver the sought after file?

### **Document Linking**

Linking capabilities allow organizations to associate groups of related documents, such as purchase orders, invoices, and shipping slips. While these documents may be stored in separate online file folders, linking allows users to instantly retrieve all related documents at once.

### **Integrated Workflow**

Integrated workflows enable Accounting departments to automatically route documents, such as invoices, purchase orders, and checks, for approval. Users can graphically map workflows from beginning to end and include automated alerts, notifications, and deadlines that update and prompt project participants in the workflow process. Graphical status reports and stage-by-stage workflow timelines enable users to keep track of all participant activity within each process. Using these tools, users can better manage approval processes for time-sensitive documents, such as invoice approvals. Such workflows also provide tracking and auditing to assist with regulatory compliance.

### **Document Change Management**

Many Accounting departments must manage working copies of documents, such as contracts, that change over time. Document change management capabilities enable organizations to control multiple drafts to ensure users have access to the most recent version and avoid accidental overwrites. A revision history stores and tracks all versions of the document. Comparison tools even enable side-by-side

comparison of different versions of documents. Version rollback enables users to retrieve earlier versions of the document should a subsequent version no longer be desirable. Version control can also be used to demonstrate that the organization has proper controls for auditing purposes. Stakeholders can also be set-up to receive alerts whenever a “watched” document is modified, with the capability of seeing what was changed, by whom, and when.

### ***Document Design***

To replace expensive pre-printed forms, document management systems should allow organizations to design their own electronic form templates for invoices, purchase orders, statements and other important documents. State-of-the-art document design tools provide a GUI, drag-and-drop interface for visually creating and easily modifying document templates that include logos, signatures, and barcodes. Once the document template has been designed, these solutions then automatically merge data from the organization’s existing accounting or ERP systems to populate the templates with data to create a particular document.

### ***Document Output and Delivery***

Modern document systems enable Accounting departments to output invoices and other documents on plain paper using standard laser printers, improving printing speed and eliminating the need for costly single-task impact printers. These solutions allow output to one or multiple printers. Using conditional printing capabilities, Accounting departments can automatically output to the user’s choice of print, fax, email or PDF, without extra effort. These solutions also automatically store invoices and other documents for later retrieval by the document management solution, eliminating the need to recreate the invoice from the accounting software or ERP, should the need arise.

## ***Records Management***

Records Management capabilities allow Accounting departments to specify how long specific documents should be stored online, as well as when they can be archived or destroyed. This helps organizations comply with document retention regulations.

## **Meeting IT Requirements**

In addition to the Accounting requirements, a document management solution for midsize organizations must also provide:

- **Ease of Use**
- **Ease of Deployment and Maintenance**
- **Redundancy and Offsite Backup**
- **Robust Security**
- **Scalability**
- **Services and Training**

### ***Ease of Use***

What may be the single most important factor in the success or failure of a document management system is ease of use. While planning and managing the implementation gets the vote for biggest roadblock to deploying these systems, the number one complaint with traditional document management systems is that they are confusing. The common approach to system development has typically been to continue to jam additional features into them, thus making them all but impossible to learn how to use. It been an all too common occurrence for companies to spend six to seven figures on a system, only to have that system rejected by its intended users.

An additional consideration for midsize organizations is the lack of resources available for extensive user training. Systems that are easy-to-use not only ensure quick user adoption, they also minimize training expenses/ commitments, freeing IT resources for more critical tasks.

The system you select should use familiar icons and have an interface that enables users to be productive almost immediately. If you were to focus on one function of the system for ease of use, be sure you carefully review how easy it is to find a specific document. This single area can make-or-break the entire initiative.

### ***Ease of Deployment and Maintenance***

To enable ease of deployment and maintenance, the solution should support existing industry standards. For example, documents should be stored separately from their indexes and the index should be stored in an industry-standard relational database, such as Microsoft SQL Server. Document security should take advantage of existing users and roles that most organizations have already stored in Active Directory using LDAP.

Browser-based client interfaces enable users to access documents from anywhere in the world. Browser-based clients also simplify deployment by allowing IT to install and maintain software on a Web server, rather than having to install and maintain thick-client software on each client machine.

When setting up security and retention policies, a solution that assigns permissions to folders and then allows individual files to inherit those permissions greatly simplifies policy set up and administration.

### ***Redundancy and Offsite Backup***

When documents are stored in an electronic format on a file server, it is a straightforward process to back up document file servers in one or more offsite locations. This greatly simplifies data recovery in the event of a natural disaster.

### ***Robust Security***

Regulatory requirements, partner agreements, and internal policies often dictate that access to documents be limited. Document management solutions must offer robust security to control access to the information in the document repository. Necessary security capabilities include:

- User authentication with encrypted passwords to ensure that users are who they say they are
- SSL encryption using the organization's Website certificate to ensure that hackers are unable to access information as it is passed from user browsers to the Web server
- Individually assigned certificates enabling users to electronically sign documents as part of the workflow to provide non-repudiation (indisputable verification) of origin and ensure that content has not been altered. Audit logs that record every interaction with the managed file ensure non-repudiation of receipt, addressing growing compliance and regulatory issues.
- Authorization (an inherited rights scheme that controls levels of access to files and folders) allows security control to be assigned for each user or group of users.
- Auditing tracks the evolution of documents and ensures the integrity of content managed within the repository. Audit trails are vital when demonstrating regulatory compliance or participating in some types of litigation.

### ***Scalability***

The solution must offer the scalability to accommodate increasing numbers of users and increasing numbers of documents as the business grows.

### ***Services and Training***

The vendor must provide a full range of services to help organizations design and implement the solution.

## **Accounting Benefits**

By using a document/content management solution, Accounting departments benefit from improved efficiencies and cost savings when producing, distributing, and storing invoices and other documents, as well as better customer service, faster collections, a simplified retention policy, enhanced regulatory compliance, and disaster recovery.

### ***Professional Invoices at Lower Cost with Greater Efficiency***

A solution that makes it easy to create invoice templates allows Accounting departments in midsize organizations to benefit from the ability to:

- Create professional looking invoice (and other document) templates themselves, eliminating the need for expensive pre-printed forms
- Enforce standard branding across the organization by making it easy for the entire organization to use the right invoice templates
- Easily modify existing templates, simplifying adaptation to changing document requirements
- Eliminate the time and expense of manual filing, by automatically storing electronic

copies of invoices and other documents as they are created

### **Lower Document Distribution Costs**

- Electronic document distribution enables Accounting departments to reduce costs:
  - By allowing users to email invoices or fax them automatically, organizations save on postage and supplies. For example, the total cost of mailing documents is \$.80, that of manual faxing is \$.60, versus \$.03 for emailing a document, and \$.25 for automated faxing.
  - Laser printers cost less than dedicated impact printers. Plain paper printing is less expensive than preprinted forms.
  - Firms that outsource printing and distribution eliminate these high costs.
- Automated conditional distribution via print, fax or email streamlines and simplifies the process of complying with customers' preferred methods of receiving invoices, improving customer service.

### **Improved Customer Service**

The ability to store and retrieve documents online eliminates the time and expense of paper filing and makes it easier for organizations to instantly answer customer questions about a particular invoice (or purchase order, proof of delivery, or any other document) while the customer is on the phone. Linking capabilities mean that all related documents can be easily retrieved to answer questions or for auditing.

### **Faster Collections**

Invoices sent via email are delivered three to five days faster than those that go out via the postal services. This means the organization can get paid faster, reducing days sales

outstanding (DSO). Should a customer not pay an invoice, accounts receivable has instant online access to invoices. This simplifies collections by giving accounting departments all the information they need at their fingertips to make collections calls, and to resend an invoice should the customer claim to have lost it.

### **Simplified Records Management**

Automated document archiving and destruction policies make it easy for organizations to implement document retention policies. Newer document management systems can even be set up to automatically tag documents with the appropriate retention policy as they enter the system.

### **Improved Regulatory Compliance**

Document management solutions help support Sarbanes Oxley and other compliance efforts.

- Online document storage ensures that all documents supporting a financial transaction (such as invoices, purchase orders, etc) are easy to retrieve and are not lost.
- Auditing and version control capabilities enables Accounting departments to demonstrate the documents have not been altered.
- Automated routing and approval capabilities allow organizations to set up processes for document routing and approvals, while included reporting makes it easy to document the adherence to these processes.

### **Disaster Recovery**

Unlike paper documents, documents stored in an online repository are easy to back-up off-site, simplifying disaster recovery. While having copies of critical documents is an essential element of a sound disaster recovery plan, gaining access to those files quickly and easily may make the difference between survival and

failure. Systems that provide browser-based access have a decided advantage, providing immediate access to files from any location with internet access.

## Benefits for IT

Document management systems should provide the following benefits for IT:

- Modular capabilities allow IT to start small, demonstrating immediate ROI, then gaining additional ROI as they deploy more capabilities
- IT organizations can pay for capabilities as they are deployed, rather than implementing a costly solution all at once
- Ease of administration and use minimizes the system's impact on IT
- Document storage, retrieval, workflow and auditing provide tools to help IT support regulatory compliance
- Robust and easy-to-implement security simplifies control over data access
- Service and training provide expert resources to help IT design, deploy and maintain the solution

## Conclusion

Despite the apparent complexity of Document Management Solutions, the reality for midsize organizations is simple:

- Simple Truths
- Simple Solutions

### *Simple Truths*

The goal of midsize companies selecting a document management solution should not be to go paperless; rather, it should be to effectively blend paper-based and electronic systems. By providing a gradual transition from paper to electronic processes, organizations can avoid disrupting current processes while “evolving” to more efficient systems.

### *Simple Solutions*

As indicated by Tony Byrne, CMS Watch founder in his predictions for 2007, *“2007 will be characterized by the elusive quest for ‘simple,’ as technology buyers seek out simpler solutions to complex business problems.”*<sup>5</sup> Midsize organizations need modular, scalable, easy to use solutions that can be deployed with a high probability of success and prompt ROI. Focusing deployments onto functional areas that offer significant return such as Accounts Receivable, Accounts Payable will improve the likelihood of success. This has the dual benefit of simplifying the deployment and providing valuable experience to the organization that can be leveraged when later deploying the document management solution into other departments and functions.

<sup>5</sup> CMSWatch.com, Predictions for 2007: The elusive quest for simple

## About ACOM Solutions, Inc.

### ACOM Offers a Complete Solution

With its EZeDocs and EZContentManager solutions for iSeries and Windows systems, ACOM offers a complete, modular solution that addresses the full range of document management needs. With EZeDocs, Accounting departments in midsize organizations gain the ability to easily design their own electronic forms, automatically merge data from their financial/ERP or legacy systems with these forms, and output documents via print, fax, email or PDF. EZContentManager allows Accounting departments (or any other department burdened with paper-based processes) to capture paper and electronic documents, index and store them, as well as easily search and retrieve documents. The solution also includes integrated workflow processes for document routing and approval.

Document design, distribution, capture and management solutions from ACOM offer Accounting departments in midsize organizations a complete, yet modular solution. They also support the needs of IT through ease of deployment, maintenance, and use, as well as robust security, backup and scalability. As a result, customers can better manage a blended electronic/paper environment, lower costs, reduce manual handling, improve deployment of personnel, and better control documents and document-based processes to improve regulatory compliance.

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