

# BETWEEN THE LINES

TAPPING THE POTENTIAL OF  
21ST CENTURY DOCUMENTS

by John M. Kelly

## The Significant Gains of Document Cost Reduction

*We're all working together; that's the secret.*

Sam Walton

When economic think tanks like the Milken Institute calculate business costs, the formula usually includes factors such as wages, taxes, utilities and real estate. But every experienced organizational leader knows there are many costs that are far more challenging to capture or even categorize: The cost of adhering to outdated routines while competitors zoom forward on the wings of advanced technology. The cost of redundant or overlapping job functions. The cost of a disgruntled employee sharing opinions on Facebook.

And the cost of poorly managed documents.

If you're like most companies, your document generation is likely to be fragmented. Print production is scattered among internal and external resources; desktop devices are as common as weeds and just as hard to control.

Time and again, we meet with prospects who are surprised to discover just how much this fragmented document production is costing them. It's easy to see why. As a result of widespread fragmentation, no one in the enterprise "owns" document costs or has an end-to-end view of document production. That makes it impossible to capture expenses or drive cost improvements.

Compounding the situation are dollar-wasters that are even harder to detect—inefficient document processes. Workflow flaws like poor content control, redundant tasks, misplaced materials and time-consuming sequential reviews fuel skyrocketing costs.

The good news? Because document expenditures are so frequently overlooked, they provide a tremendous opportunity for savings. If you implement document efficiencies, cost-efficiencies will follow.

Easier said than done, of course. Each area of potential cost reduction—print production, desktop devices, document processes—offers an increasing degree of complexity.

For many companies, print production tends to provide the simplest first step because the costs are easier to get your hands around. Desktop sprawl is a little trickier as it involves tracking

down far-flung devices and changing workforce behaviors. Process redesign is, of course, the most effortful of all, but when it's done well, it's the Holy Grail of cost reduction.

Before discussing each area further, let's step back and look at how the cracks formed in today's splintered environment.

### **Why Enterprise Documents End Up in Pieces**

Document production usually begins in one corner of the organization, the purview of a select few. As companies evolve or expand, individual departments assume their own document responsibilities. Then enterprise-wide functional areas, like HR or finance, start having a say. This internal dissonance is exacerbated by an external cacophony of old and new print vendors who offer digital and offset services, multiple levels of paper quality, a diverse range of inks and ever-expanding capabilities.

Keeping track of the chaos is a job few people seem to have, want or even realize is necessary. Redundancies abound and any potential economies of scale are tipped off balance. This lack of centralization and control leads in one direction—toward rising print costs. It also results in little or no awareness of total print spend.

It doesn't help that many of the people responsible for purchasing external printing have no related training or expertise. Nor should they. They're finance professionals and marketing experts and administrative aides. In fact, less than one-third of purchasers are true print buyers. Yet they're grappling with paper weight and caliper, the discrepancies between PC color and printed color, production cost-efficiencies and other issues that weren't in their original job description. What's more, every wrong decision has an associated cost.

Most print vendors will gladly guide you through production entanglements, but even so, buying print is a manual, time-consuming chore. An IDC U.S. survey found that 36 percent of medium and large companies outsource print procurement.<sup>1</sup> That means the rest are calling vendors on the phone, filling out job tickets, following up and worrying about a job until it rolls off the press. All that wasted time equals wasted dollars.

You would think that in-house printer and copier advancements or the proliferation of desktop devices would minimize the problem. After all, anyone can run out to Staples at lunch, pick up a new desktop printer and be back in time to grab a sandwich. Unfortunately, all too often, they do. And it's only made matters worse.

## The Distributed Desktop Dilemma

*It looks as though some of the fragments are themselves  
forming their own sub-fragments.*

Don Yeomans

Yeomans, a respected U.S. senior research scientist, was referencing a comet, but he could easily have been describing the document production sprawl of today's offices. The document fragments of the modern enterprise continually spawn sub-fragments, resulting in a proliferation of stand-alone and shared printers, copiers, faxes and multifunctional peripheral devices, plus software to link them all.

Very few organizations have insight into the mounting costs of this complex, distributed environment. Most don't even know how many devices they own—completely understandable since a few clicks on OfficeMax.com can instantly change the total.

Because document generation isn't treated as a managed area, there's no big-picture view of who is using what, let alone when, where, how and why. But there are plenty of big-picture issues. Here's how Quocirca, the European business and IT analysts, describes the environment:

A tangled mix of old and new hardware, requiring a myriad of different and incompatible software and consumables. Ownership is often fragmented across departments, locations or geographies and lack of centralized print management tools means that there is little or no visibility, or control, into usage and costs, let alone managing the issues that the inherent security risks of today's generation of advanced networked multifunction peripherals present to an information-rich organization.<sup>2</sup>

If an enterprise were to track the cost of its printers, it would have to redefine "cost" to include maintenance, upgrades, training, paper, toner, ink, etc. The enterprise might also encounter an unexpected expense—the cost of low utilization. Through our many client assessments, we have found that, on average, employees use their printers 1-2 percent of the time. Whether active or not, these printers are drawing power, intensifying the cost drain while creating a sustainability issue.

Unfortunately, it's difficult to solve these problems when companies don't realize they exist. Yet our work in this area has shown that uniting fragmented document fiefdoms not only corrals costs, but actually reduces them.

## 135,000 P&G Employees, 1 Printer

*One of the true tests of leadership is the ability to recognize a problem before it becomes an emergency.*

Humorist Arnold H. Glasow

Two years ago, Proctor & Gamble was facing a situation not unlike what I've described above. 135,000 employees in 80 countries were using 45,000 individual copiers, printers, scanners, fax machines and other devices. (We know. We helped count them.) An average of four employees shared each device, with every one of the company's 200 worldwide facilities free to make its own purchases.

"It was absolutely not efficient," says Caroline Basyn, P&G's director of global business services. "I wanted to manage the whole worldwide fleet as if it were one printer."

To do so, this global consumer products leader implemented a solution that combined Managed Print Services (MPS) with Lean Six Sigma quality improvement. The P&G project team worked with employees to capture, measure and track document processes throughout the organization. Individual and group interviews were held, with employees performing a multitude of diverse document-related tasks, some to the ticking of a stopwatch.

Based on the team's findings, document-driven processes were reengineered and the company's worldwide print operations were outsourced. P&G trimmed its 45,000 printers and copiers to a fleet of 10,000, with approximately 14 employees sharing each device. Furthermore, 8 million fewer P&G pages now roll off the presses.

Although P&G's transition is still under way, more than two-thirds of the company's sites have adopted the MPS solution. The results make it look as if the company's Mr. Clean® Magic Eraser® has been wiping away expenses. Printing costs are down by 21 percent. Paper consumption by 30 percent. Energy costs by another 30 percent. Equally notable, the combination of MPS and Lean Six Sigma is saving a typical P&G user more than 200 minutes each year (a company-wide savings of 138 business days—practically half a year of extra time).

"Managed Print Services gives them minutes back in their day," Basyn concludes, "so they can focus on taking care of business rather than printing."

### **The 3 Main Causes of Excessive Print Spend**

- No clear demarcation of responsibility for the print infrastructure nor any central oversight, forcing multiple departments to operate independently
  - Device acquisition based on individual and departmental demands, with little consideration for the overall needs of the business, resulting in an overabundance of devices (sometimes as high as 60 percent)
  - Operational costs, such as supplies and service, expensed at the departmental level, obscuring total running costs—which frequently outweigh purchase expenditures
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### **Managed Print Services: Cutting Costs, Not Corners**

*Change before you have to.*

Jack Welch

What defines Managed Print Services? The details vary from case to case, but in general, MPS involves the use of an external provider to analyze, produce and manage document output.

The first step—a Lean Six Sigma assessment of print assets—is usually an eye-opener. At Xerox, we deploy tools across the client’s network to locate each asset and evaluate its usage: How often are you printing? How many supplies are you ordering? How frequently do printers break down? Slowly, we move the client from zero visibility to a view that rivals Google Earth.

Then we analyze the information to reveal what the client is actually spending. It’s a number that often elicits a response somewhere between surprise and shock. Guided by these metrics, we begin implementing efficiencies that can include:

- Removing workflow steps to streamline processes and make people more productive
- Minimizing the handling of information to reduce error rates and prevent lost documents
- Digitizing hard-copy documents to enable shared, real-time access
- Employing technology to automate inefficient manual tasks
- Exploring the use of outsourcing or offshoring.

Obviously, I've simplified a highly variable process. But the outcome is consistent: fragmentation and silos disappear, replaced by structured, centralized print management that often delivers immediate cost savings of 20-30 percent.

It's not surprising that Quocirca summarized the advantages of MPS in this way:

Managed Print Services offer organisations the opportunity to control costs, reduce the complexity of managing a heterogeneous infrastructure and improve business processes. With many organisations striving to do more with less, MPS can cut both capital and operational expenses. Now is the time to tackle the huge cost and productivity drain represented by an unmanaged print environment.<sup>3</sup>

### **How KeyCorp Unlocked Hidden Savings**

Whether working with an MPS vendor or managing printing in-house, you can cut costs by transitioning from a traditional technology procurement strategy, which emphasizes lower component costs, to a centrally managed service, which focuses on reducing total cost of ownership (TCO). That's the initial step KeyCorp, the Fortune 500 financial services firm, took when their printing infrastructure became difficult to manage and control.

"We didn't have a clear picture of what our true print costs were," says Angie Masini-Sloan, Vice President and Director of KeyCorp's Enterprise Technology Client Services. "The utility model we implemented ... has really enabled us to get more control over our document management resources and spending."

The print costs generated by KeyCorp's 985 branches ended up being 50 percent higher than the company had estimated. Once the streamlined solution was in place, however, KeyCorp realized significant operational savings. Additionally, paper consumption decreased by 30 percent and the employee-to-device ratio improved from 1.5 to 1 to 5.4 to 1.

KeyCorp is not alone in leveraging the strengths of unwasteful document services. Reuters, the global news agency, employed MPS to reduce Total Cost of Ownership by 20 percent. Carillion, one of the U.K.'s leading construction companies, generated savings of about a million dollars in the first six months. And through better document device management, Baptist St. Anthony, an award-winning VHA member, reduced print-related costs by 90 percent.

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### **12 Questions to Ask Potential MPS Vendors**

If you are considering an MPS solution, this list of questions can help you evaluate potential vendors:

1. What processes will you put in place to drive down output costs?
  2. What proof do you have that your processes work?
  3. Are your operations global in scale and do they offer 24/7 service?
  4. What measures will you use to monitor cost reduction and provide projections?
  5. How will you maintain output quality and equipment availability?
  6. How will you monitor end-user satisfaction?
  7. What evidence do you have that your solution will serve us well—and devices will be used to their fullest advantage—over time?
  8. Can you accurately provide product-related metrics? How?
  9. Where is your support network located, how many people are involved and how does it adapt to different cultures, languages, etc.?
  10. What are your disaster recovery plans?
  11. What experience do you have with MPS and how many devices are currently under contract?
  12. What MPS innovations have you developed?
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## The Far-Reaching Impact of Smarter Document Processes

*It's the little things that make the big things possible.*

J. Willard Marriott

There's a tree at Echo Caves in South Africa with roots that reach 400 feet into the ground, the deepest any roots have ever penetrated. Think of that tree's trunk and branches as your documents and their production. Now think of its roots as the workflow processes related to your documents. What you see above the surface—document creation, printing and distribution—is nothing compared to the complexity hiding below.

That is why fragmented document production is only part of the cost reduction story. Inefficient document processes fill the other chapters. At a much greater expense.

There is dollar consumption at every stage of a document-driven process, whether the documents relate to accounts payable, benefits processing or product development, e.g. processing costs, mailroom costs, the costs of tracking documents, overall management costs.

To capture and trim those expenditures, it's essential to map the end-to-end flow of a document—how it moves and the costs it creates along its journey.



## **Clarifying the Role of Documents**

Try to envision a business that doesn't rely on digital or hard-copy documents. It's nearly impossible. As mentioned earlier, documents are involved in everything from accounting and product engineering to compliance and customer service. Yet document management is often inexpedient, underutilized or—like printing—decentralized. It's not uncommon for companies to rely on outdated, ineffective document processes simply because "We've always done it that way." Current business directions only confound the situation. A quick snapshot of virtually any trend reveals a blurry document process in the background. Mergers and acquisitions lead to awkwardly integrated document workflows. Workforce reductions stretch the idea of document-related multitasking to the point where doing too much means too little gets done well. And global expansion can twist a simple document task into a Rube Goldberg contrivance.

Therefore, it's beneficial for any enterprise to step back and ask a critical question: Do documents play an important role in your organization or do they represent your core business? Unless you're a publisher or a company like Xerox, the answer is probably "important role." For the vast majority of companies, document management isn't a core competency. Documents aren't what the company does, they're the tools that help the company do it. That being the case, every minute an employee spends managing a document is a minute stolen from the enterprise's essential business.

Granted, you can't engineer document interactions out of the workday. Nor would you want to. But you can manage documents better, particularly if your document-related processes are inconsistent and scattered. That's what Marriott International Inc. discovered when they standardized accounts payable throughout their organization.

Prior to implementing the payable efficiencies, this global lodging leader relied on a time-consuming, paper-based process to manage 2 million invoices each year. The process varied from one Marriott organization to another, with each group developing its own approach. As multiple in-house imaging operations sprang up worldwide, Marriott realized that its guest service expertise was being squandered on document management. That's when the company's Information Resources team checked in.

This visionary group incorporated Accounts Payable into Marriott's emerging Shared Services model. All mailroom, imaging and content management functions were outsourced to a global network of Shared Service centers. In addition, AP workflow was fully reengineered. Time-consuming steps were replaced by automation. Processes were redesigned to exploit new digital technologies. Invoice processing capacity was quadrupled. And a paper-laden workstream soon became virtually paperless.

Thousands of users throughout Marriott now log invoice data into a central Enterprise Resource Planning (ERP) system. When they tap Send, the document “arrives” at a service center for imaging and hosting. Once there, it’s available to all authorized users for review and processing.

“We’re saving on labor and technology,” says Michael Cullen, senior Vice President for Marriott Business Services. “We’re getting better reporting and more control. And it’s helping hotel managers spend more time taking care of our guests.”

### **Rethinking the Document Status Quo**

*Chains of habit are too light to be felt until they are too heavy to be broken.*  
Warren Buffett

The recent economic crisis is forcing companies across industries to look deeply at the areas in which their organization generates spend, employing aggressive measures to drive returns. Whether exemplified by a hiring freeze or an investment partnership, the mantra is “Do more with less.” And the search is on for innovative ways to make it happen.

Streamlined document management processes can help. They reduce the costs associated with workflow redundancies, outdated practices, prolonged business cycles and the other obstacles mentioned throughout these pages. Additionally, when document processes are outsourced, savings extend to capital equipment, IT support and staffing, not to mention the cost-efficiencies of best practices, economies of scale and state-of-the-art technology.

Let’s use Creative Services as an example. Companies frequently rely on a variety of Creative Services firms to create and disseminate documents: High-end brand strategists. High-priced ad agencies. Design firms. Freelancers. In-house graphic specialists. In short, a large number of service providers operating independently, each with its own price tag.

The result is an onerous bundle of direct and indirect costs—everything from hidden project management fees to agency markups, which can range from 20 to 60 percent. You might also incur the expense of reusing your own materials, harshly discovering who really owns your company’s digital images and print files.

In situations like this, it’s difficult to focus on document spend because it’s not managed by a single, C-level executive. It’s spread across many departments, with expenses allocated along multiple budget lines. This lack of transparency makes costs difficult to evidence and therefore impossible to control in a meaningful way.

Perhaps that's why more companies are outsourcing their document services and processes. According to IDC, outsourced print/imaging services in the United States are expected to grow at a compound annual rate of 9.8 percent from 2009-2014, with Canada outdistancing the United States at 16.9 percent and Asia/Pacific (excluding Japan) coming in at 15.9 percent.<sup>4</sup> Companies that outsource can centralize and control their documents in order to gain the savings and cost-efficiencies mentioned above.

Or enterprises can rethink what they're doing in-house. One global communications company we worked with shaved more than 40 percent off their document production expenses simply by replacing external agencies with an internal creative services team and a shared, digital repository. That number is not uncommon, inside or outside of the Creative Services arena. We typically see results like those of a global financial services provider who realized \$1 million in savings after enhancing its insurance verification process with an advanced data capture system and an expanded employee team.

Even public sector organizations, traditionally reluctant to embrace external process management, are realizing the benefits of improved document workflow. As state and local governments continue to wrestle with debilitating budget cuts, they are discovering that prudent document management can mean greater cost-efficiencies for their agency and better service for U.S. citizens.

### **Using eHealth Documents to Sharpen the Point of Care**

*The best way to predict the future is to invent it.*

Computer Scientist Alan Kay

My friend Chris, who is allergic to penicillin, was having problems with his knee. As he explored his therapeutic options, he was passed from one medical group to another. A GP. A nurse practitioner. An orthopedic surgeon. A sports medicine expert. A physical therapist. Countless administrative assistants. Everyone asked the same questions, including "Any allergies?" He repeated the word "penicillin" so often he began to worry that no one was paying attention to his records. By the time Chris was admitted for knee surgery, his growing wariness had prompted him to scrawl "It's this one" across his kneecap.

My buddy Chris had it wrong. He was dealing with some of the finest care providers in the Northeast. They were all paying attention. They just weren't sharing information. Fortunately, advancements like Electronic Medical Records are rendering these health care disconnects obsolete.

One Medicaid client is witnessing this firsthand with its eHealth initiative. Like many programs, they suffered from disjointed health care information. Crucial patient data was unavailable at the point of care, trapped within the silo of each practitioner's individual patient files. As a result, treatment was inefficient or incomplete. Tests were repeated. Therapies were sometimes contradictory.

They developed a suite of Electronic Health Record (EHR) applications, supported by a comprehensive clinical rules engine and e-prescribing. Providers now have real-time access to complete patient records from all involved caregivers, including medications, inpatient and outpatient encounters, diagnoses, tests and other critical data. Gaps in care are identified using evidence-based medicine guidelines. Alerts are issued for potential adverse drug interactions. And physicians can readily monitor who's following doctor's orders by tracking things like filled/unfilled prescriptions and follow-up appointments. It is not an understatement to claim that this organization's eHealth program is helping to save lives. In doing so, it has also saved \$280 million over 4 years.

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## **8 Questions to Ask Yourself about Outsourcing**

With all the ambiguities around the cost of document production and management, it can be difficult to know if an outsourcing solution would be beneficial for your organization. Here are a few questions that can help with the answer:

1. How central is document management to your mission?
2. Are your documents core competencies that deliver a unique value to your customers and stakeholders?
3. Is your approach to document management based on a sound strategy or on a history of "This is how we've always done it?"
4. What are the knowable costs of your enterprise-wide document management, including staffing, technology and processes?
5. Are you satisfied with your current approach to document management in terms of efficiency, cost, quality and ease?
6. Could you benefit from reallocating document management resources to more mission-critical tasks?
7. Is there room for improvement in the way your document processes support your business operations? If so, how easy would it be to implement the improvements?

8. In what ways could outsourcing reduce your costs and risks and improve your organization's flexibility and agility?

If your answers reveal areas where outsourcing might cut expenses, add efficiencies or free enterprise resources to focus on core operations, it's worth continuing the outsourcing conversation internally and externally.

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## The Future of Document Cost-Efficiency

*The products of innovation are even more valuable during tough times.*

Prof. Andrew J. Razeghi, Kellogg School of Management

Digital and hard copy documents touch virtually every corner of the modern enterprise. It's clear that they will continue to do so. Therefore, document management grounded in the industry's best practices is essential.

When documents are produced and managed with optimal proficiency, productivity soars and costs plummet. Equally important, valuable resources can be reallocated around the mission of the business. Employees can begin working with documents, rather than feeling like they're working for them. Dollars that were spent on counter-productive processes can be redirected toward strategy.

The organization as a whole also benefits. It becomes a leaner, more nimble force that can quickly adapt to change—an invaluable asset in today's evolving economic landscape. One glance at a recent CNBC Cost-of-Doing-Business survey<sup>5</sup> quickly confirms the point. Three of the highest cost states in 2009, Hawaii, Alaska and Maryland, actually became more expensive in 2010. Amidst ongoing financial unpredictability—and vigorous competition—it's more important than ever to control the costs that can be controlled.

Whether related to a departmental workstream or an enterprise-wide process, smarter document management offers a clearer view of expenses and a proven means of reducing them. Furthermore, organizations that manage documents well are better positioned to manage customers well. And that's what matters most. Because, when all is said and done, the true benefit of streamlined document management isn't spending fewer dollars, it's spending more time on your business and the people it serves.

## **Reducing Industry Costs:**

### **Medco and Health Care**

While many companies employ document management to reduce their internal costs, Medco Health Solutions, the nation's leading pharmacy benefit manager, is streamlining document processes to support a larger mission; reduce the cost of U.S. health care.

In 2006, the company implemented an enterprise-wide strategy to manage the documents of its 60 million members and large physician network.

The strategy began with a Lean Six Sigma assessment of Medco's print infrastructure. The number and type of print devices was streamlined. Core processes were outsourced to Xerox. Explanation of Benefit forms for existing members were reengineered for clarity. Enrollment and "onrollment" for new members was streamlined. Hard copy documents were digitized and centralized.

The savings that resulted are enabling Medco to fund investments for advanced print design, digital document libraries, composition services, output management and other game-changing capabilities.

### **Greater Care, Compliance and Cost-Efficiency**

Two of the many ways Medco is realizing cost-efficiencies while helping its members include:

Decreasing drug expenditures through lower cost generics delivered via mail order. Medco's document management improvements made it easier to ship prescription drugs with accurate instructions, curtailing costly call center questions and protecting against patient errors.

Helping patients manage chronic illness through collaborative Therapeutic Research Centers that involve pharmacists and doctors. These call centers draw on document content to ensure the correct prescription and to encourage patients to take their medication, keep appointments, follow protocols and lead healthier lives, decreasing long-term drug costs and promoting better outcomes.

In addition, Medco is exploring ways to contribute critical information to Electronic Health Interchanges. The company's rich store of data harbors

valuable insights into the efficacy and evolution of prescription drugs. If this critical information can be securely shared with physicians and pharmaceutical manufacturers, it may help generate countless new therapies and cost-efficiencies.

The company has also recently begun developing a new communications delivery platform that will enable Medco members to receive information the way they want it. Members will be able to personalize their prescription drug management information and communications delivery channel, choosing from traditional mail, a secure web site, email or text message alerts.

### **Taking out the Waste**

In essence, Medco is eliminating much of the waste involved in health care. Each year, an unfathomable amount of money is lost on incorrect therapies, missing information, inaccurate claims and other errors. By strengthening controls, Medco is minimizing these mistakes—and their associated costs.

In the end, everyone's burden is lighter: The personal burden of patients. The customer service and compliance burdens of Medco. And the financial burden on the health care system, providers, members and their employers. All because Medco manages its documents well.

"Virtually every aspect of the pharmacy health care process—from the prescription to the patient communication—is mired in a legacy of paper documents," said Medco President and Chief Operating Officer Kenneth O. Klepper. "The future belongs to the speed, flexibility and adaptability of digital processes and the efficiencies of digital documents."

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**Endnotes**

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