

FSN White Paper

Document Management in the Finance Function

“Choosing a document
management system”

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INTRODUCTION

Despite increased levels of interest in activity based management and process based costs, few organisations take the time to understand fully transaction costs at their most basic level. The fact that many nominal ledger coding schemes combine “postage, printing and stationery” in one account illustrates how little attention is given to these fundamental business costs. But these ‘raw material’ costs only account for around half the cost of processing accounting transactions. When the full impact of labour costs, storage and waste disposal are taken into account then it is not unusual for organisations to be faced with typical direct processing costs of around £5 per transaction for outgoing documents such as purchase orders and invoices, but significantly more for incoming documents such as supplier invoices.

However, when transactions turn sour, the cost of putting them right can rapidly escalate out of control. After all, business processes are optimised for straight through processing in a well rehearsed sequence and are not designed around ad-hoc queries or disputed invoices. Retrieving correspondence, hard copy files (that may have been archived), original invoices, signed delivery notes and customer order confirmations can be fraught with difficulty. So the true cost of ‘delinquent’ transactions represents a significant drain on resources and greatly adds to average transaction costs.

The situation is not helped by the way businesses are organised. Operationally, many businesses are organised along functional lines, such as the sales department, order entry, despatch and warehouse, but disputed transactions rarely respect functional boundaries. It is often necessary to draw information from across the organisation in order to understand a problem and quickly resolve it.

In effect, electronic accounting transactions and the manual records or correspondence that accompany them, occupy parallel but unconnected processes. However, the application of modern document and image management technology can help to combine paper flows and accounting records whilst breaking down functional boundaries. But what is a document management system and what features are important? In this white paper we set out what you should expect from a document management solution, identify the essential functionality and present some of the questions you should ask prospective suppliers as part of an evaluation.

WHAT IS DOCUMENT MANAGEMENT?

The document management industry is a fragmented sector comprising a range of software and hardware vendors. Typically, each of them contributes in a small way to the overall document management process through specific capability such as a document scanner, a forms designer, or fax gateway. As a result, the definition of document management is often crafted in more limited terms than the process deserves.

In brief, electronic document management is the process and technology which governs the capture of electronic or manual documents, their secure indexing, storage,

retrieval, which coupled with forms design and electronic delivery, provides a variety of electronic and automated means for document distribution.

For example, in the context of the finance function, one would expect a modern document management system to support the intelligent scanning (see below) of say, manual purchase invoices, signed delivery notes and supplier statements, their storage and indexing relative to any leading financials system and retrieval based on any reasonable accounting criteria. On the output side, one would expect to be able to produce any accounting document, such as a sales invoice, or secure cheque, in pixel-perfect design, using plain computer stationery, and electronically distribute them appropriately and automatically to recipients in their preferred format and by preferred delivery method (hardcopy, fax, email, etc.), with full batch handling and control.

WHAT BENEFITS SHOULD YOU EXPECT?

In these days of increasing business complexity, regulation and compliance the amount of information that businesses are required to retain seems to grow exponentially. Managing and maintaining the 'paper mountain' takes up precious office space and increases the cost of on and off-site storage and archival facilities. Furthermore, traditional printing of multi-part stationery is expensive and wasteful as businesses frequently re-organise, change logos and other details. Paper-bound processes are also difficult to navigate and even the simplest of queries can take days to resolve.

By contrast, converting paper documents to digital records that can be stored on inexpensive magnetic media eliminates the need to produce duplicate records and photocopies. Furthermore, burdensome data entry of, say, suppliers' invoices can be substantially reduced by automatically populating accounting records from originating documents automatically fed into intelligent scanners. In addition, electronic information is accessible across an organisation and more amenable to ad-hoc queries so that an organisation can improve its productivity and responsiveness to customer demands. Workflow technology and secure storage of documents help to establish a better control environment, demonstrate compliance with regulation and provide better protection and recovery from unforeseen disasters.

When outward-bound documents are also taken into account then the benefits of electronic document management quickly multiply. The ability to use plain paper stationery to generate business forms, merge their contents automatically with an integrated accounting system and despatch them electronically in bulk, rather than through the post saves hugely on manual effort and the direct costs of paper, postage and stationery.

Users report substantial saving of time and money, with an ROI of six months being typical.

WHAT ARE THE ESSENTIALS OF A DOCUMENT MANAGEMENT SOLUTION

The following sections are not exhaustive but provide an insight into the “must have” features of a document management solution and the breadth of functionality that should be available from a reputable supplier.

Permanent and accurate storage

This covers the conversion of hard-copy business documents such as invoices, statements and remittances into unalterable digital images. It is important that the images of accounting documents captured by the system are unalterable since they form a key part of the accounting records retained by the business. This means, for example, that even where document styles and layout change over the year that the original is a faithful copy. In addition, where matching with an accounting system identifies relationships between documents, for example a Purchase Order, a GRN (Goods Received Note) and Purchase Invoice it is important that the document management system retains this relationship when storing away the image so that the information is preserved and available if the accounting system is subsequently replaced. Using these relationships, a modern document imaging system should also present automatically related documents, such as an invoice and its associated purchase order and proof-of-delivery.

Automatic storage of outgoing documents

Modern document imaging systems have the ability to store images of all documents electronically, without having to print them and scan them back in again. More advanced systems are tightly integrated into core financials systems, which means that not only are documents such as purchase orders printed as normal, and electronically delivered as required, but also automatically stored as electronic images and linked to the core financials system. In a phased implementation, this step is often implemented first as it rarely involves a change to existing company procedures, and gives immediate benefits - authorised users no longer have to spend time and effort retrieving documents from storage, but are able to retrieve document images on demand through the system.

Batch scanning of incoming documents

Generally, organisations have little control over the format of incoming documents which come in all shapes and sizes. So it is important that document imaging systems are able to scan a mix of these documents in bulk – typically using a hopper-fed scanner. Unsophisticated systems, which require the user to physically attach each image to the appropriate account, should be avoided, as modern systems are capable of doing this automatically.

Intelligent data capture

Intelligent data capture is the cornerstone of a document management system and an area that has benefited from rapid advances in technology. This technology enables

the automated capture of data from whole batches of incoming documents, such as supplier invoices, using OCR (Optical Character Recognition). It is vital that data capture technology can handle mixed batches of document types and sizes and recognises different fonts, layout and colours whilst intelligently interpreting the contents with a high degree of success by matching against valid data held within an integrated accounting system or other database. For example, using this technique, a supplier name or VAT registration number on a scanned purchase invoice could be matched with the supplier's account number held in the accounts payable module. Unmatched data should be clearly highlighted on screen so that operators can view the scanned image and correct the interpreted data where necessary so that future instances of the same document type can be scanned without delay.

Integration with popular accounting packages

Matching captured documents with an integrated accounting system can yield significant cost savings in data entry whilst simultaneously reducing error rates by automatically identifying and posting financial values. For example, gross, net and VAT amounts read from a manual purchase invoice can be posted automatically to a supplier's account and in the other direction, the image can be 'tagged' with other relevant searchable fields for future reference. Establishing such a unique link and deeply embedding document management functionality in the accounting records enables users to retrieve and view the original images of all documents associated with a transaction from within the accounting system. But integration should not be limited to the financials. A modern document management system should also provide links to other applications and databases, if required.

Secure methods of data storage

Storing digital images within a document management system provides unique advantages over manual storage of paper documents, for example, space savings, fast document retrieval and ease of backup. But data storage has to be secure from unauthorised access, inadvertent or malicious changes, i.e. apply a similar level of user permissions to the original records as the accounting system itself. In addition, the system should avoid proprietary technology so that images can be transferred to alternative hardware configurations as the organisation grows.

Ad-hoc query and retrieval over the web

With so much information concentrated in a document management system, it is important that it is readily (but securely) accessible to users over the web. The user should be able to use the same interface to retrieve documents regardless of whether a document has been produced from the core financials system or scanned in. Good document management software will support a range of queries based on established 'keys', such as invoice date ranges, document numbers and document transaction types using Boolean logic to refine and filter searches. Results should be returned quickly with the user being able to browse through retrieved images one at a time.

Workflow for routing and approval of documents

Fully featured document management systems will provide workflow capabilities so that documents such as purchase invoices can be routed between users and accepted or rejected by email invitation according to business rules established in the system. The ability for approvers to append 'sticky notes' on the electronic document, without affecting the original image whilst enabling the accounts administrator to track the whereabouts of individual documents should be available.

Document and forms design

The ability to generate pixel perfect forms and complex multipart stationery using standard, plain A4 paper, can liberate an organisation from the limitations of pre-printed stationery without impairing quality or business image. Form design software also enables all manner of forms to be quickly and easily altered to reflect an altered logo, a new telephone number, or perhaps changed terms and conditions. Leading edge systems will support all of the fonts and design tools necessary to make a faithful copy of pre-printed stationery. They will also support all manner of secure printing requirements such as cheques on remittance advices, and payslips in sealed envelopes.

Flexible document delivery options

In a world of increasing choice, it is important that outbound documents can be delivered in bulk as scheduled but in a delivery format or medium requested by the recipient. For example, sales invoices could be faxed to some customers, emailed to others, forwarded as an attached .pdf file and printed to standard A4 computer paper for normal mail delivery depending on customer preferences held within the system. Leading edge solutions also support payments by BACS and the automated delivery of information to PDA's or even mobile telephones by SMS.

SOME QUESTIONS YOU SHOULD ASK A PROSPECTIVE SUPPLIER

Clearly the leading edge functionality described above should form the basis of the functional requirements of a system but the questions set out below are designed to highlight broader concerns

Who authored the software?

Document management is a dynamic field with constant improvements in the capabilities of peripherals such as scanners and storage devices as well as document standards and communications. A solution provider who is also the author of the software is ideally positioned to rapidly take advantage of any technical innovations and can ensure that the solutions are easily integrated into the accounting or ERP system and can be effortlessly configured to end-user requirements.

Does the solution provider supply all of the essential components of a document management solution?

Document management processes embrace a broad range of activities, ranging from data capture and storage through to forms design and distribution. If they are to outperform the fragmented, paper bound processes they replace, then document management processes need to be tightly integrated and pervasive. An approach based on a loose assembly of different vendors' software will quickly undermine the benefits achievable, as they will be difficult to install, integrate, configure and support.

Does the supplier have experience of integrating document management systems to leading accounting products?

Implementing a document management solution in a finance setting requires an understanding of accounting processes in order to fully take advantage of the unique benefits that an integrated accounting solution can provide. Complete integration of each element and deeply embedding document management functionality (such as query and 'drill down') in the accounting system is vital for reducing the time taken to learn the system and ensuring that indexing and data integrity is preserved at every stage of the process.

Is the solution open to other technologies?

With new pressures on the public sector to comply with the Freedom of Information Act and the Data Protection Act, it is important that information contained within the proposed document management system is also amenable to queries from other enterprise wide systems.

Does the supplier have a well-established user base drawn from a cross section of industry, commerce and the public sector?

There are many suppliers in the document management space but relatively few that can demonstrate a long track record in delivering working solutions in the finance function in different industry sectors.

Is the supplier based in the UK?

Many suppliers in the document management space are based abroad with very little implementation and development capability in the UK. Given the scale and relative complexity of implementing document management systems it is important that substantial resources for training, implementation and support are locally based.

Does the supplier have a strong focus on the finance function?

There is usually such a compelling business case for document management that it is tempting to consider a corporate-wide system to manage all documents across all departments within an organisation. But focus and effective supplier support are essential to remaining on track and delivering success. A single solution for departments with widely varying requirements can mean compromises in key functional

areas and in integration with existing business systems. It is advisable to take a department-by-department approach staying focused on the requirements of each user community and ensuring effective integration with existing systems and processes. The finance department is an excellent place to start due to the abundance of external documents, importance of the documents to the business, the legal requirement to preserve accounting records and the potential for a fast Return on Investment.

SUMMARY

The business case for moving to electronic data management around the finance function is compelling though the completeness of the document management solution and its integration with finance and other business systems, which is vital to successful delivery. However, not all suppliers have the breadth of applications, the development capability in-house, or the deep track record necessary to succeed. Careful evaluation of functionality and supplier due diligence is essential to identifying appropriate solutions.

The much-heralded 'paperless office' has not arrived, but recent advances in scanning, storage, workflow and communication technology are transforming fundamental business and accounting processes. The conversion of paper flows to digital methods of storage and communication is saving time and space whilst boosting productivity and service levels. Forward looking companies which embrace the technology can make rapid savings in direct costs and are often rewarded with a simple payback in less than six months. At the same time they are helping to reduce the paper mountain, and in an increasingly environmentally aware business culture, playing their part in the reduction of non-hazardous waste.

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About FSN

FSN Publishing Limited is an independent research, news and publishing organisation catering for the needs of the finance function. The report is written by Gary Simon, Group Publisher of FSN and Managing Editor of FSN Newswire. Gary is a graduate of London University, a Chartered Accountant and a Fellow of the British Computer Society with more than 23 years experience of implementing management and financial reporting systems. Formerly a partner in Deloitte for more than 16 years, he has led some of the most complex information management assignments for global enterprises in the private and public sector.

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