Managing Information and Records

The definitive guide—2013 Edition

Cimtech

Chapter 6
Making the Business Case

● Information and Records Management Best Practice ● IRM Solution Options ● Enterprise Content Management from A to Z ● Designing and Implementing an IRM Solution ● Making the Business Case

information
OVERLOAD

Do you want to spend time searching or finding

Do you want compliance

Do you want process efficiencies

?

OITUK Ltd., specializes in providing C-Cube Electronic Document and Content Management & Workflow solutions, based on the C-Cube software suite. Systems scale from small departmental applications to large enterprise -wide solutions and include: the C-Cube Portal, Electronic Forms, Content Searching, and C-Cube Electronic Document & Records Management System (EDRMS), offering specialised solutions, including:

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- **Local Authority Applications**
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Chapter 6

Making the Business Case

In the project management methodology described in Chapter 5, Stage 5 is where we make the business case for the preferred solution. By this stage the options have been reviewed and the preferred option agreed but it remains necessary to argue the case for its implementation against the competing demands for the corporate budget. A good business case is vital as, without it, projects these days are unlikely to get approved.

In this chapter we look at how to make the business case for the preferred solution for improving information and records management. The key steps involved in making a business case are essentially the same whether you have decided to run a records management programme and use existing tools or opt to implement a full ECM solution. You need to establish the benefits, the costs and the risks and conduct a cost-benefit analysis.

The key to making a successful business case is detailed preparation and planning. Prior to writing the business case for the preferred solution you need to have completed some or all of the following tasks:

- defined your business objectives
- carried out information gathering
- benchmarked your procedures/systems against best practice and business objectives
- identified areas for improvement
- reviewed options and agreed the preferred solution

These are all covered in earlier stages of the ten-stage methodology. If Stages 1–4 have been conducted, you will have quantified and valued your information assets and identified the areas where improvements are needed in order to comply with best practice and meet business objectives. Organisations will then be well equipped to prioritise areas for investment.

Stages 3 and 4 should have given us an insight into the problems with existing procedures and systems and the impact they are having on the organisation. A cost can then be put on these. If improved information and records management procedures and a move to an ECM solution will solve those problems and eliminate those costs, then this will help make the business case.

The Stage 4 feasibility study should have also identified the key business benefits that can be obtained by improving those processes. Some of the main benefits that can be achieved by improving IRM and/or a move to ECM include:

- improving staff productivity
- reducing costs
- reducing travel time
- expanding market reach
- generating visibility
- offering new services
- e-commerce and conducting business 24 x 7
- improving customer service and responsiveness
- improving customer retention
- improving defence against claims and court cases
- streamlining processes to gain competitive advantage

If the feasibility study indicates that these benefits can be achieved only if the organisation invests in an ECM solution then there is the basis for a strong business case to invest in such a solution. Additional benefits that can be achieved include:

- improved knowledge management
- regulatory compliance
- disaster recovery
- space savings
- improved staff morale
- improved team working and collaboration
- more efficient exploitation of corporate information assets

If the organisation has budget and/or resource constraints and decides that it will aim to improve information and records management using only existing tools then many of the above benefits also apply.

The key data needed to make a business case include:

- the tactical or tangible benefits that will be achieved
- the strategic or intangible benefits that will be achieved
- the real costs of investing in the preferred solution and
- an assessment of the risks

Stage 5 comprises the following steps:

- reviewing the tangible benefits the solution will bring
- reviewing the strategic benefits the solution will bring
- establishing the real costs involved in implementing the preferred solution
- conducting a cost-benefit analysis.

6.1 Reviewing the Tangible Benefits

The tangible (or tactical) benefits are those that can be measured and quantified in financial terms. First we review the tangible benefits under the following headings:

Productivity improvements

If staff productivity can be improved you can achieve quantifiable benefits. The benefits could be in reducing the staff numbers required to process existing business or in processing more business with the same number of staff. In the latter case the savings would be virtual savings.

Competitive gains

If the preferred solution leads to improved customer service, and enables the retention of more customers and the acquisition of new ones, this benefit will increase income and can be set against the cost of the solution. Another example involves reducing the time from initial concept to delivery of a new product. Here, the return on investment can be speeded up through the use of an ECM solution to manage product designs and documentation and to control the change control and approval processes.

Cost savings

If all key content is placed on a website and WCM is used to ensure the content is up to date and secure, enabling customers to access and download the content in digital format, 24 hours per day, considerable savings can be made in printing, postage, copying and filing costs plus the costs of employing an extra shift of staff to handle enquiries over the telephone over the same 24-hour period. There are also savings in furniture and consumable

costs. Many organisations use ECM solutions to automate the way committee agendas, papers and minutes are distributed to committee members.

Reduced travel time

If the solution enables information to be safely accessed and entered from home and on the road, and these days even from mobile phones and tablets, then staff do not need to return to the office so frequently and quantifiable savings can be forecast not only in staff time but in travel expenses. Look out for opportunities to save travel in businesses that employ field workers, be they engineers, salesmen or social workers,

Improved cash flow

Many organisations that have lost control of their supplier payment process can improve cash flow and save interest payments by drawing down only the money they know they will need to settle payments over a set period. If new orders can be processed in 24 hours with e-procurement, rather than the previous need for 5 or 10 days, cash flow can be improved as well.

Claims and court cases

If the company is paying out on claims and losing court cases, and poor records are suspected as being part of the cause, then a figure can be put on those payments. E-discovery is an expensive exercise these days, whether using your own staff or external assistance to find and identify all the information for a court case. Reducing claim and court costs can be a major benefit in industries such as construction, law firms, local authorities and pharmaceuticals. Reducing the possibility of Information Commissioner fines for data protection breaches can also be factored in if the project is likely to improve information assurance.

Space savings

Organisations with paper-intensive processes will save space by moving to electronic information and records management. If staff numbers are reduced as a result, or if you can avoid taking on more staff, then additional space will be saved. Whether an accountant will allow space savings to be claimed depends on whether the space can be re-used or if it can be proved that, had the space not been saved, the organisation would have needed to move to larger premises. Many organisations moving from multiple old buildings to a purpose—built smaller new building find this the ideal time to implement an ECM project. An information audit (Stage 3 Step 4) can identify paper records that can be destroyed and those that can be moved offsite to lower cost storage and an ECM system ensures that large volumes of paper records will not be created on an ongoing basis and backfiles of active paper documents can be scanned and loaded on the new system and the paper then destroyed or archived offsite.

6.2 Reviewing the Intangible Benefits

Next we review the intangible benefits. In addition to the hard financial benefits reviewed above, the implementation of the preferred solution will also deliver strategic or intangible benefits. These are more difficult to quantify but can prove even more significant. Indeed, the strategic benefits are often vital and hence outweigh any tactical considerations. Some of the key strategic benefits include the following:

- improved customer service to agreed targets
- improved visibility and image
- meet e-business and electronic service delivery targets
- more responsiveness to change
- improved quality levels to agreed financial targets
- regulatory record keeping compliance
- value of corporate information assets enhanced
- improved knowledge management
- improved management information
- streamlined business process management
- improved collaborative working
- corporate reputation
- disaster recovery
- sustainability
- agility

Traditionally, such vital strategic benefits are regarded as soft, or intangible, and many accountants will not attach a cost figure to them. However, if a business activity analysis establishes that these strategic benefits are vital then project managers can compare the cost of the preferred solution against the often higher costs involved in meeting those objectives via conventional means.

In most cases it will be possible to demonstrate that an ECM solution is the most cost-effective solution and, in some cases, to show that it is not possible today to achieve the desired business objectives without using these technologies. If business process analysis indicates the organisation is at risk of failing to comply with legislative requirements, that it cannot provide up-to-date, accurate sets of the records required by industry inspectorates or a major customer, then one of the key strategic benefits could be survival itself.

A key corporate objective may be to improve customer service and the answer may be to implement a contact centre that can provide a single point of contact between you and your customers. The process analysis exercise may confirm that there are problems managing customer data and documents and controlling customer transactions. Unless organisations also invest in a new internet-based customer administration system, a content management system and workflow software, the investment in a contact centre will not necessarily improve customer service levels.

Most of the benefits listed are obvious to the business once explained. The last few might need more explanation:

- Corporate reputation is an important asset and easily damaged if leaks and losses of personal information hit the press. This is a major benefit of improving information assurance.
- Disaster recovery is a benefit if paper records or portable media can be moved online. Putting records online enables them to be backed up and for vital records this can be one of the main drivers.
- Sustainability refers to the ability of the organisation to keep and find its long term records over the required number of years. Without good records management, the disorganisation of unmanaged drives and paper files multiplies as the years progress until it becomes impossible to find a required record or to distinguish it from the multiple versions and duplicates that abound. Putting records into a well-organised system will provide a 'single source of truth' that will survive decades of use.
- Agility refers to the ability of the organisation to make changes and to survive large corporate events such as restructuring, mergers and acquisitions and small disruptions such as sickness and other absence. If an organisation has good records management, whether paper or electronic, it is not dependent on staff knowledge and is able to continue find, understand and reuse information without disruption.

The websites of the leading ECM suppliers listed in the directory contain many case studies and white

papers describing the benefits achieved by customers who have implemented these systems.

6.3 Reviewing the Costs

As well as reviewing the benefits we need to calculate the costs. In Stage 5, Step 3 we review the real costs of investing in information and records management policies, tools and procedures and in implementing an ECM solution or in using existing tools more effectively. These will include some or all of the following:

- project management
- information gathering and analysis
- records management tool development
- specialised hardware
- standard software
- development
- integration with applications
- business process redesign
- IT infrastructure upgrade
- implementation core services
- contingency
- change management/training

The costs should be quantified and divided into one-time system implementation costs and ongoing costs. The one-time costs go into the model as initial system costs. The ongoing costs balance against ongoing savings to arrive at an overall figure for ongoing savings.

The project management costs include third-party consultancy support plus internal project team costs.

The software costs may vary as different suppliers have different pricing policies. There may also be separate costs for different modules including WCM, ERM, collaborative software and BPM.

It should be possible to obtain fixed costs for all of the above items as a result of the tendering process.

The development costs can be more difficult to pin down. If the implementation plan advocated in Stage 4 is followed, you should expect to obtain a fixed price to provide Phases 1–3 (specification, model office and pilot). Once a project moves into Phases 4–6 (roll-out and corporate applications) it is less realistic to expect a fixed price but you should obtain indicative costs based on a set of assumptions. Support costs can be defined and agreed at contract stage.

Training costs can be significant if there are large numbers of users. Options here include paying the supplier to train the administrators, operators and a small number of users who are then given the task

of training the other users. This approach is referred to as 'train the trainers'.

Training, change management and communication costs should not be reduced as these are vital areas to win users over to the solution. Most large projects that do not succeed cite user resistance as one of the main reasons. If the users are not involved early through user groups, awareness briefings, etc., and if they are not fully supported through implementation then there will be a significant risk of user resistance.

6.4 Cost-benefit analysis

Finally we carry out a cost benefit analysis. Ideally, the organisation will have a standard methodology for measuring the financial case for such an investment. If it does, it should be followed. If not, make a strong case and follow good practice and your methodology could become the corporate model in future.

Use terms and measurements that are widely accepted in the financial world and use the organisation's internal standards for project lifetime and internal rate of return. The business case should ideally include all or most of the points listed below:

- why the organisation should invest in the preferred solution
- what the solution will cost to implement (broken down into components)
- when the organisation will start to see a payback on the investment
- the savings that will result over the project life
- the additional strategic benefits that will result from the investment
- optimistic and pessimistic sensitivity analyses
- a review of the risks and how they will be mitigated.

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In addition, where appropriate, obtain firm initial system implementation costs and running costs from suppliers or consultants with experience of implementing such systems. In order to put a firm value on staff and space savings and improved cash flow, it will be necessary to obtain agreed figures from the finance department. These will include salary costs, space costs, overhead costs, inflation rates, projected business and head-count growth, the corporate tax rate and other key financial figures.

Deciding on the project life span can be complex. Too long a period and the ongoing costs associated with replacing hardware and software will have to be factored in. Too short a period and the case may appear marginal.

You can then present:

- the cost of doing nothing
- the cost of investing in the solution
- the period before you reach the discounted project payback
- the payback you will receive from the solution over the agreed project life.

The expected return on investment can then be presented and compared with the return the organisation would get from investing the money. If the project life is three years, the objective should be a discounted project payback of less than 24 months. If the project life is 5 years it might be acceptable if the payback stretches out to 3 years. The value of the savings should be presented as a net present value—the value today of the money received over the agreed period using an agreed interest rate.

Finally, because very few projects come in under budget, as many risks as possible should be factored in using optimistic and pessimistic sensitivity analysis techniques. A good business case will stand a pessimistic view.

If there is a strong business case after the cost-benefit analysis, the tactical benefits will provide a good return on investment and the strategic benefits can be regarded as a very valuable bonus that should make a compelling case for investment.

If the case is more marginal, the project will need strong senior management backing to help prove that the strategic benefits have a value greater than the costs of achieving them.

The Cimtech Directory

Classified listings of information and records
management products and services.

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