

Whitepaper

Improving your recovery rates

The potential impact of document management on your practice

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Introduction

Practices face a veritable avalanche of documents and information: correspondence, emails, reports, spreadsheets and official forms often in conjunction with weighty individual client files. Compounding the administrative burden is the importance of this information, reinforced by heavy regulatory obligations and scrutiny.

Against this background, the case for document and content management is an obvious fit.

But what issues will it solve or new opportunities be opened up by adoption of this technology? This white paper explores these whilst also taking a look at how to avoid any pitfalls which might negatively impact your chargeability if you decide that document management is right for your practice.

Background: Document Management – a synopsis

In summary, a document management system will enable you to centrally store all your documents in a common, secure store. Documents are indexed on a key word basis, either automatically or manually. Once stored you'll be able search either on the key word attributes or on any text in the document. The speed and accuracy with which the search can be completed creates the killer benefit and overriding value of any document management system.

All but the most specialised document types are stored including emails; in fact throughout this paper emails are treated as just another document. All changes will be subject to audit and version control, whilst access is limited by user account. Access can often be remote via web access. Underpinning these functions, any document management system should be configurable to be tailored to your requirements. An extension to most document management systems is records management (RM) functionality to allow you to set dates for retention reminders, some of these including automated actions to remove, archive or flag up activities on documents.

If you've been researching the market, you will have come across two terms used throughout this paper – Electronic Document Management (eDM) and Enterprise Content Management (ECM). The distinction is blurring with technology improvements and market adoption changes.

- eDM refers to the capture, storage, security, auditability, versioning, records management, and searchability and discovery of documents in a document library or repository.
- ECM is a wider term covering content as information in its widest sense, from web content management to archiving. In this document it's taken as majoring on the searchability and discovery elements.

As a rough and ready assertion, practices can expect to see day to day practical operational improvements with eDM; ECM's more in-depth discovery functions will be most relevant to larger or more specialized practices, where leveraging knowledge in complex cases will be a massive time-saving boon.

Issues facing accountancy practices

Before starting any journey involving new systems or processes you need a clear idea of the issues you are looking to solve. Can you write it down as a clear problem statement? Can you quantify it? Obvious enough, but doing both of these will help crystallise your thinking and decision making. It's surprising how often this doesn't get done. Quantification will be a factor of the individual practice, but the issues can certainly be set out.

The majority of practices still depend on rafts of physical files, with all the attendant issues that blight everyday efficiency. Even when your practice stores content electronically discovering the right data quickly and efficiently can be a question of adherence to the practice filing conventions, your own memory and even

luck. (A blank moment resulting a document misfiled in the wrong client or year folder will create frustration and waste chargeable time.) Your practice is therefore likely to be based on electronic documents (probably on a network drive or scattered across laptops) with many other documents still ending up in conventional filing cabinets. In either case, discovering information or content is a problem, or at the very least could be a whole lot more efficient – a major hidden cost.

Chargeable Time – efficiency savings

More obviously than most other professions, time is money to accountants. Chargeable time and recovery rates are clear metrics to enable you to measure the impact of new technologies.

Much of your practice intelligence is hidden in documents. Unlike most organisations, your business documentation is more than operational – you run your practice on the information and so documents are its lifeblood, generating value and being constantly accessed. It's this usage which eats up the time.

The biggest culprit is hard copy filing. Retrieving files, notably client working papers, has been a part of the job which we all take for granted. Gartner calculates that a single paper document can cost as much as £15 to fileⁱ. This is a business-wide figure, but, it would be a safe bet to assume that this is going to be higher for practitioners. Assuming it approximates to a typical practice, tot up the number of files in circulation in your practice every day, apply this cost and see the hidden cost of physical filing. Now take a blended charge rate, averaged across your practice and apply that instead of the cost. Frightening?

A 2009 YouGovⁱⁱ survey asked a cross section of businesses to estimate how much of the information they deal with is paper-based. A breakdown by sector revealed that accountancy practices deal with an above-average percentage of paper at 54%. Paper-intensive businesses spend most time searching for information – the same survey identified that accountants carry a 26% overhead on their document-searching, wasting time at a cost of £2.7m every day across the UK.

These are averaged figures for paper. Storing more documentation electronically is a major step forward with or without an eDM system in place. In fact with a simple folder structure (typically by client, service and period) most practices will have made strides in efficiency already.

Nonetheless, storing information electronically is not in its own right the complete solution. How often do you think you know where a key document is stored, be it in a network file store, in an email, on your laptop or a SharePoint library? Finding and opening a document is typically a quick task, say 30 seconds - 1 minute per document. But when it's not immediate the time can really add up and delay your activity. We've all spent time on a crusade trying to find information which we know is hidden away somewhere, only to find that the frustration and effort has eaten away an unwarranted length of time.

eDM systems remove this overhead by allowing instant and accurate search. Searching for a document is typically measured at a few seconds. One practice refers to the thankful "avoidance of lost file syndrome", something many practitioners will recognise and often a cause of non chargeable "admin" time. Finally, related to this is the issue of file-sharing – when one of your colleagues has a client file then it's effectively out of commission to anyone else in the firm.

Chargeable Time – collaborative working

One of the major downsides of working with a case file is that it's very difficult to share. When it's sat on, say, the tax manager's desk it's not available to the partner who needs it for, say, a strategic planning review. A centralised, version controlled eDM system will enable access to multiple case workers. Where the software is web based or has a web based module, anyone working on the file can use it from anywhere, irrespective of whether it's being accessed by someone else. When you have staff working remotely this can be especially beneficial and when at clients the enhanced level of service is clear to see.

Chargeable Time – process improvements

Does your practice have a standard operations procedure? The comprehensive manuals produced by SWATuk, Mercia and other training/ advisory organisations are often daunting and embedding these into your day to day operations can be hard work. Much of this gives an important safety net, but could come with overhead. Incorporating these into your operations is a delicate balancing act and it's important to ensure that enhanced procedures are not to the detriment of profitability. As most operational activities will involve a document of some sort, it's a logical improvement to use an eDM system.

Many eDM systems allow for document distribution. By electronically routing a document as part of a process you can retain integrity and maintain control (important for best practice). Quicker than any manual distribution, this also removes the need for multiple copies and ensures that the process itself is tracked.

Taking this a step further, workflows can be added to many good quality eDMs, automating day to day processes, even simplifying them. This is aided by the ability to read key data on both electronic documents and scanned-in paper images – it is therefore possible to automate escalation of sign-offs from seniors and managers to partners or, more prosaically, invoices based on any authorisation limits you may have set for practice staff. Potentially long-winded exercises can be reduced to moments. Just as importantly, good practice becomes embedded into everyday activity.

Using 2008 YouGov research, IRIS claims a “conservative benchmark” of “an hour per day per person.” “Multiply that by staff effective rates to compute a good working payback estimate” on any investment.

Chargeable Time – process degradation?

Ease of implementation and impact on working practices are frequently cited as two major barriers to adoption for new software. Some efficiency benefits will be offset if operational activity is detrimentally affected and any investment negated. To avoid this, an eDM system should work with your practice software. There's a trend for the major vendors to include an eDM offering as part of their software suite, typically in the practice management arena. CCH and Digita have their own offerings, whilst IRIS and Sage have partnered with Invu. Integration doesn't have to be deep to be effective, but if you're straying from this shortlist, it's wise to ensure that your choice will work alongside or tightly integrate with your practice software so that it fits with the way that you and your fee-earners work. Ideally, outputs from your fee-earning software and any practice management application you use should be captured automatically.

Quality of service & client retention

For most new businesses, acquiring and nurturing a new customer typically costs 5 to 10 times the cost of retention. In the accountancy world, it's not always so direct. There's an increasing trend for marketing prospective clients – some practices employ telemarketing techniques and here the cost is measurable. However, for the majority of accountants client recruitment equates to personal time or otherwise chargeable but generally unmeasured time. Most often, growing the client base is a function of the service provided resulting in personal recommendations and it's here where the benefits of eDM can be felt.

According to a partner in a top 4 practice in early 2010, “Assuming you're looking at the SME/Mid-market clients, then I'd reckon on spending anything like 3-6 week's worth of time in getting to know them, taking ideas to them, building a relationship up and then any formal process and tender. For a current client, I reckon they get up to 1-2 weeks of "free" time in maintaining the relationship each year - this would cover just general meetings, conversations and, even hospitality etc. You can apply a charge out rate of, say £100-200/hr to cost it up, albeit that is slightly arbitrary (since its not paid).”

With this level of investment, client loyalty can't be taken for granted; increasingly, practices report a trend for shopping around based on fees and service quality. Snappy, high quality service makes a world of difference to the client experience - slow information retrieval delays service and stealthily increases client bills. The real bonus of eDM comes in terms of client service. Client information is instantly accessible so you can answer queries on the spot, especially if tied into your practice software for an holistic view. You will

have a full client history and audit trail of past communications and transactions at your fingertips. No more asking the client to wait while you retrieve relevant information, or call them back, instant answers ensure high quality service.

Added to this is the fact that in reducing costs and becoming operationally leaner, practices also have greater capacity to remain competitive. Practices face increasing and frequent fee pressure, especially in these post credit crunch times. Although no one really wants to draw on this facility, creating headroom for negotiation is a key competitive advantage. On the flip side, if you're more efficient and provide better service than your competitors client recommendation is more liable to be enhanced.

Compliance

In conjunction with your compliance software an eDM system will enable you to back up all elements of tax, accounts, VAT and Companies House submissions with documentary evidence. (Electronic documents carry the same evidential weight as physical signed documents since the 1995 Civil Evidence Act.) Versioning means that the documents are always up to date and there is no risk of error or confusion over which is the most up to date instance of a document. Additionally, a full audit trail will ensure that you know the final document stored is accurate – if it's not (e.g. because of a last minute change) then you'll have a record of the amendments, the author and when it took place.

Whilst giving you peace of mind, this also delivers cost savings to you and your clients. HMRC enquiries are less likely if your records are not only in order but also fully available quickly and accurately. Once again, the audit trail is a significant safety net. HMRC Tax Bulletin 37 echoes BSI PD0008 ('Legal Admissibility and Evidential Weight of Information Stored Electronically) here. If an eDM system is used in conjunction with appropriate working practices, then you can prove that you have a secure, safe and legally valid records system.

There is a further risk reduction element to consider. The potentially daunting and disruptive prospect of a Practice Assurance visit is mitigated if your processes are based on good document management. Tony Collier, managing partner at Milner Boardman confirms, "I think we are now able to demonstrate real consistency across our work practices, particularly in the area of accounts prep/audit where we also went paperless and now have fantastically compliant files. I think this is a real advantage when it comes to potential QAD visit."

Knowledge sharing

Consider how much information you have hidden in locally stored emails and documents. Consider also what key documentation is available only in a misfiled hardcopy or on a memory stick or laptop. Worrying? Do you have departments which own different parts of a process only to need a document held elsewhere? (Once again, invoices and proofs of delivery frequently fall into this category.) Having a central document repository eliminates this. Sharing content and transactional documents is a major improver of communications and therefore efficiency.

When you know you want to find something specific then there is a good chance that you'll need it for a specific task in mind. When you're searching for content then often you're exploiting the documents, emails etc. as a knowledge base. When you build up a history of documents, you also begin to harden the practice's "corporate knowledge", making it available for more abstract research and analysis. This moves the practice along a stage in it's maturity from improvements in task efficiency to exploiting its inherent intelligence, mining it for more focused operations.

In the same way as you would use legislative references and case law, over the years your practice will have built up a rich source of information for use with current and future clients. The 2020 Group has historically advocated value-based fees as opposed to time based pricing. As your practice knowledge base builds up over time, repeatable schemes or similar cases can be instantly available via a quick search for potentially lucrative high return case work at low cost.

Operating improvements

Consumption can be measured – it's one of the very tangible benefits so will always be high on any eDM vendor's success stories.

Physical storage is the most obvious starting point here - conventional filing is expensive in terms of the valuable space it takes up. Gartner's calculations put the cost of the average filing cabinet at an average £500 a year in floor space rental costs aloneⁱⁱⁱ. How many filing cabinets does your practice have?

Many practices also have off-site archive costs to consider. If you decided to bite the bullet and undertake a long term back scanning exercise then this could be eliminated. However, although there are some brave souls which have undertaken this sort of exercise there comes a point where the practical effort and cost outweighs the benefits. One side effect of implementing a scan everything/ day one policy is that the need for physical archiving will diminish every year. After 7 years all day-to-day and non-exceptional historical information will be electronic, another saving if you would otherwise pay for off-site storage. (This may be extended for money laundering purposes where relevant documents will need to be retained for 5 years from the date of client engagement ending.)

Savings can also be made on paper, toner, print costs and storage consumables, small expenditure which quickly adds up. Then there's postage costs, which for some practices may not be insignificant. Of course, less consumption also means that you will also be helping the environment.

If you employ filing clerks then this is a direct cost which you may be able to offset against any investment you make. At the very least you will have a resource which you can redeploy in the practice.

Disaster Recovery

There is no direct cost saving or enhancement to recovery rates here, but one additional benefit of eDM systems needs to be highlighted. Paper documents in particular are vulnerable to loss, destruction or misfiling and reconstructing any client file will be difficult at best and often impossible. Paper doesn't stand up well to physical wear and tear either, from multiple handling through to physical threat like fire or flood. Electronic documents fare better of course, but unless well indexed or stored in a guaranteed location they can also be lost or at least take an age to discover.

By converting your paper files into digital format, you bypass the very worst implications of disaster for your client records because it can be backed up and kept off site.

Avoiding the negatives

The benefits of an eDM system will count for nothing if counterbalanced by poor implementation, operational difficulties or process failures. Here's a few of the recommendations heard from vendors and eDM users in practice:

Pre-implementation:

- Validate your decision with other practices (have a look at Accountingweb.com forums for example)
- Look for endorsement by the professional bodies (e.g. ICAEW)
- Establish who your main stakeholders are in the practice and involve them in the software selection process. Include admin staff – they will be involved in scanning in post and any back scanning so you'll need their buy-in

- Agree an approach on back scanning – typical approaches are start from a set date (the start of a new financial year represents a clean start point), go back one year or even 2-3 years. Back scanning the full six years is unusual.
- Ensure that there is partner sponsorship of the decision and staff know this is an important adjustment to their working methods

Set up

- Review your processes – if you have a standard operating procedure then update it
- Agree with all staff how you will use the system and ensure that everyone adheres to fully using it; if only half your practice's documents are saved in the eDM system then you have a halfway house where you won't be able to rely on the repository as a central coherent records library
- Agree on common properties and document types that you want to use; this is really important as you're going to be defining your eDM configuration. However, don't be tempted to make this too complicated as this could create an operational burden.
- Agree on an email policy – automated capture of anything coming from clients, capture all emails in the practice, or agree a trust-based approach using manual capture at the discretion of the staff member. As a minimum ensure that all client related emails are always harvested.
- Optimise eDM use by investing in dual screens; working in your tax or accounts package on one screen with the source document open on another will greatly enhance productivity
- Make sure any integrations are working effectively
- Validate all document generating processes and make sure they're covered – e.g. tax, accounts, VAT, audit work, payroll, company secretarial, practice management correspondence and reports
- Ensure that all staff are comfortable with the eDM system; good training and follow up Q&A sessions are important here

Further Reading

- http://accountancy-practice.iris.co.uk/PDF/APS_Doc_Management_WP.pdf
- http://www.the2020group.com/site/accountants/products/accprod_paperless_office/

Further Information

Press & PR enquiries

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ⁱ Source: Gartner

ⁱⁱ Source: 2008 Invu/You Gov Survey

ⁱⁱⁱ Source: Gartner