



The burden of paper records

Costs, risks, compliance and discovery

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Executive summary

For businesses facing strict compliance regulations, paper records pose special problems. They can be difficult to find during legal discovery, expensive to store and a single point of failure if only one copy exists. Solutions to these challenges demand a sound business process and records management approach to control documents and other content that help organizations achieve, sustain and improve compliance.

Companies can address the problems surrounding paper records with the IBM Enterprise Content Management (ECM) platform. This platform helps mitigate the risks associated with records management by providing automated controls to support compliance across the enterprise. By using the ECM platform, one IBM customer study estimates that it may achieve savings of more than US\$11 million in year one, with an expected 263 percent return on investment (ROI) over three years.

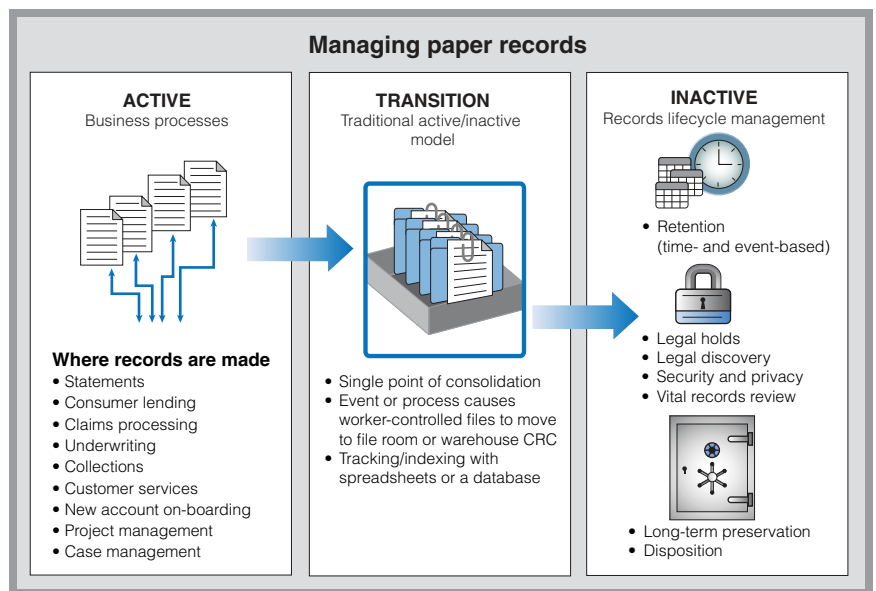
Businesses in virtually every industry are facing mounting regulatory compliance issues driven by legislation, financial audits and litigation. Recent years have shown a rise in litigation, with most large organizations involved in hundreds of cases at any given time—which means that plaintiffs, defense attorneys and judges are demanding better discovery tools. Further complicating the situation, paper-based information is still used in many business processes and stored either within the organization or at commercial records centers.

Studies show that more than 80 percent of paper content used by organizations today is “born digital” in the form of reports, word processing documents, spreadsheets, e-mail messages and Web pages. According to a leading records storage services company, organizations currently store three to four percent more boxes per year than they destroy, which indicates organizations are continuing to retain and store critical business records on paper despite the costs and risks that paper records pose for compliance.

The paper lifecycle

As paper records progress through their lifecycle, they move from an active to an inactive state in three phases (see Figure 1):

Figure 1: The three phases of the paper records lifecycle.



- 1. Business processes.** Content is produced and used in various business processes such as human resources, finance, claims processing or investment banking. While some business units may have reduced the volume of printouts they produce, many still print electronic documents. Working with paper in business processes can result in a substantial drain on productivity and be a tremendous labor cost to many organizations.
- 2. Transition.** Content is funneled into a single point of consolidation. Paper records are typically routed to centralized locations where they are boxed, labeled and indexed for pickup by either internal staff or the commercial records center. However, it is difficult to establish a chain of custody showing paper records ownership and tracking throughout this cycle—and it is even more difficult to link paper records to transactional or other business processes that created and used them.

3. Records lifecycle management. *Records are managed from the time they become inactive to the time when their retention period expires and they are destroyed. In this phase, records are returned to the business unit if needed, vital records are afforded additional protection and legal discovery may be supported, such as records “holds.” However, studies show that more than 50 percent of most organizations’ records have exceeded their required retention period—leaving the organization open to discovery of potentially damaging content that might have been legally destroyed.*

The IBM ECM platform enables businesses to reduce paper burdens

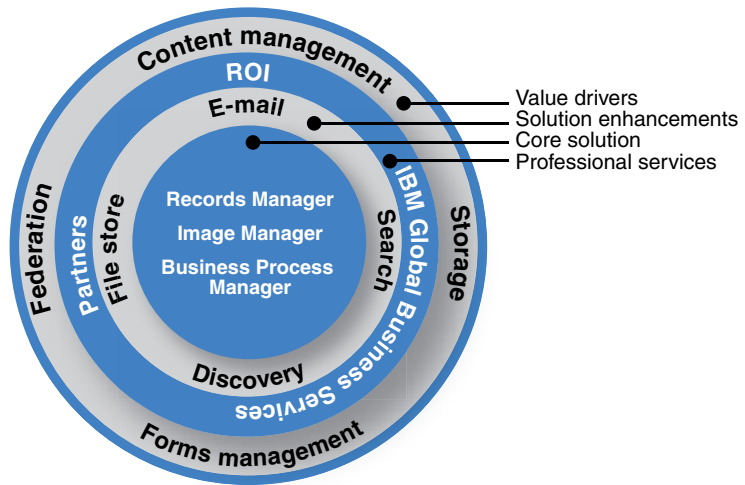
Solutions to these challenges demand an enterprise content management approach that not only utilizes the original digital documents in the business process and manages them throughout their lifecycle, but one that also converts the remaining paper to electronic documents. The goal: reduce the costs and risks of using and storing paper while providing greater visibility into business processes and reducing the cost of discovery, compliance and risk management.

IBM helps organizations address the challenges of paper records through the IBM Enterprise Content Management (ECM) platform. This platform is designed to manage content, optimize business processes and enable compliance through an integrated information infrastructure, giving organizations the ability to make better decisions more rapidly. The platform integrates with existing information systems to allow organizations to drive greater value from their content.

Records management automation is the key to compliance

The IBM ECM solution can support efforts to reduce records storage and discovery costs and lower risk by capturing only the documents required and destroying them when retention requirements have been met. By performing these tasks automatically, companies can better manage growing content volumes and provide backup and disaster recovery functions that are often not possible with paper records. In addition, a sound records management strategy can contribute to reducing the cost of storing and retrieving paper records by converting them into an electronic format or capturing born-digital content in its native format.

Figure 2: Software, hardware and professional service offerings provide a complete end-to-end solution to get control of the weight of paper records.



Although the IBM ECM platform is composed of a broad range of integrated components designed to manage content, business processes and compliance procedures, the three core components needed to reduce costs and mitigate risks are the IBM records management, image management and business process management solutions. Solution enhancements include e-mail retention and management, file store management and advanced searching and discovery capabilities. Other IBM ECM software, hardware and related service offerings can provide a complete compliance solution designed to deliver improved efficiencies across the enterprise. (See Figure 2.)

Together, these complementary products allow enterprises to capture electronic content and digitize the remaining paper at the front of the business process, storing the digital records in a secure content repository. They also provide automated compliance capabilities to manage records retention, legal discovery and auditing requirements for both paper and electronic records. By providing reporting and metrics not available in paper-based processes, the IBM ECM platform allows companies to monitor exceptions, track usage and provide greater insight into the way the organization does business.

The IBM ECM platform in action

An IBM client in the banking industry bolsters compliance and expects to achieve 263 percent ROI over three years

Highlights

- IBM ECM technology can provide the bank with potential savings of more than US\$11 million in year one, with an expected 263 percent return on investment (ROI) over three years
- US\$9 million labor savings in eight bank business units
- Potential three-year savings of US\$36 million
- Bank spending US\$40,000 per day until implementation
- Risk mitigation is key benefit

When an IBM client—a commercial accounts–focused bank with more than 300 branches and approximately 10,000 employees—found itself having difficulty meeting compliance requirements related to its paper-based records, the company sought ways to reduce its risk and cut costs. Some business units used IBM ECM automation technologies such as record scanning and business process management, but the bank still had many paper-intensive processes and stored paper records until or beyond the point when retention periods expired. The eight business units that used and stored the majority of the paper were the subject of the analysis. The 600 employees in those units accounted for US\$9 million in labor costs just from working with paper records.

In many instances, the bank had only one copy of a critical paper record. That one copy represented a single point of failure because it can easily be lost, damaged or destroyed in an accident or disaster. In other cases, multiple copies of a record existed, compounding record storage costs and creating version control problems—it is not always easy to determine the most recent or authoritative paper record. When the retention period is over, it also can be difficult to find and destroy all of the copies of paper records, potentially exposing the company to damaging legal discovery fines or preventing destruction if paper records are required in a discovery order.

Once the bank's paper records became inactive, they were boxed and shipped to a commercial records center—the only index to the content was the date of the content written on the box. Although no laws or bank legal policies required that business records be stored in paper form, nearly 80 percent of the paper printed by bank employees was “born-digital” records (reports, e-mails and Word documents) to satisfy their internal auditing requirements, at great expense to the business.

Bank executives recognized that the existing paper-based processes could not meet the requirements of legal audit trails and other types of reporting. The bank needed an automated records management system that would enable it to reduce the risks and costs of using and storing paper records while improving disaster recovery, security and access to information.

The bank is implementing additional IBM ECM solutions to reduce the use of paper and manage electronic content throughout its lifecycle by automating records classification, retention and review processes for even greater benefits and risk reduction. Born-digital content will be captured in its electronic format and no longer printed, which could provide a potential 80 percent reduction in paper volume. The remaining paper, such as incoming mail, will be digitized in both a centralized and distributed environment, using the bank's existing scanning capability as well as additional equipment.

IBM ZeroClick technology, designed to enable regulatory compliance and enterprise-wide policy enforcement, is a key element of the compliance platform. IBM ZeroClick facilitates records capture and administration, which links records to business applications to provide auditing, preservation and retention management throughout the content's lifecycle.

The records automation capabilities of IBM ZeroClick technology can contribute to substantial savings through productivity gains. Because the bulk of the expense involved in maintaining paper records takes the form of employee salaries and not storage costs, IBM ZeroClick technology plays a critical role as business units strive to reduce costs and enhance efficiency.



Manage content, optimize associated business processes and enable compliance through an integrated information infrastructure

Through a broad range of modular components designed to manage content, business processes, compliance and legal search and discovery, the IBM ECM platform offers improved workforce effectiveness by enabling organizations to optimize their infrastructure to deliver the right information in context—allowing them to make quick, smart and cost-effective decisions. IBM storage systems, server and mainframe technologies and professional service offerings combine with ECM technologies to provide a platform to lower costs, mitigate risks and gain better insight into core business processes.

IBM technologies are also designed to facilitate easy backup and greater user productivity, potentially saving millions of dollars by eliminating the paper filing, copying, storage and discovery costs. IBM ECM solutions automate and streamline all records-based activities—helping to enforce compliance and create business advantage while also delivering reductions in the cost of compliance and risk management.

For more information

To learn more about IBM ECM Compliance solutions, please contact your IBM representative or IBM Business Partner or visit

ibm.com/software/data/content-management/products/compliance.html

For the complete report on the IBM No Paper Weight bank study and other information on how to reduce the paper burden in your organization, please visit

ibm.com/software/ecm/nopaperweight

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