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5 Ways Document Management Makes Your Firm More Profitable

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Document Management Software
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Preface – What is Electronic Document Management?

Simply put, an electronic document management system (EDMS) is a system that can replace paper files and documents in an office, and enable users to send electronic documents through the same steps a paper document or file would follow. EDMS systems are primarily used in the legal profession to increase efficiency and eliminate the costly inconsistencies that are common in a paper based process. For instance, if the firm has a new case form that is filled out for each client account and it must proceed from the attorney to a paralegal and then back to the attorney, then an EDMS must provide the same path. So a true EDMS not only provides storage, but must provide the same workflow capabilities. Along the way it must also protect documents so that only authorized people can view, edit and/or delete documents based on the individual's access rights. An example might be a client's financial records. These records should be kept confidential and an audit trail kept of all access. An EDMS is a step up from the point solutions like spreadsheets and word processors as it is a firm wide solution. It must be easy and straightforward to use and ideally integrate with other applications the office is already using with a minimum of effort.

So to sum up the key attributes of an electronic document management solution:

- Maintain a repository of electronic documents
- Enable partners, paralegals and other staff to quickly locate documents
- Provide a mechanism of securing the documents
- Integrate with other software solutions being used
- Provide a method for putting the documents into a defined or ad-hoc workflow
- Supply audit data providing the four W's (Who, What, Where, When)
- Capture form data in a database for usage in monitoring and managing the case load
- Comply with any necessary regulatory requirements

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Overview

The paperless office promise has been around since the beginning of the PC revolution in the early 1980's. Initially the technology just wasn't good enough to fulfill the promise, however in the last ten years, the cost of digital storage, scanners and other technologies have made it very achievable and particularly attractive in the legal profession.

The goal of any personal injury practice is to be as efficient as possible when dealing with clients and their associated paperwork. An EDMS does this by making your firm more efficient and streamlining the document flow through the office.

This document addresses the 5 most common way an EDMS will help generate more profitability in a law firm. Each of these ways are outlined as benefits that save you time and money, and provide insurance against disaster.

The first three benefits of an EDMS target office efficiency and organization. While these benefits correlate directly with their physical paper counterparts they also overcome the inherent deficiencies of a paper based system.

- Instant access to documents and records by any authorized personnel in an organized manner
- Ability to put documents/cases through an electronic workflow process
- Search old case records for documents using a variety of searching techniques

The next two benefits allow a firm to achieve what is physically impossible for a paper based system to address.

- Integration with other software used across the firm
- Quick and complete disaster recovery

Finally, as a bonus, one more benefit will be covered to help your firm place a value on what an investment in an EDMS can achieve.

Benefit #1 - Instant Access

One of the largest benefits to using an EDMS is the ability to access documents at any time from your computer. No more running back and forth to the file cabinet or asking an assistant to track down a relevant file or document. Think of the time savings that can be felt across a firm when it only takes seconds to find a document.

With instant case access two assistants can work the same case simultaneously and have access to all relevant documentation. If one assistant works the investigation, while another does medical records and a third works with the insurance companies, using an EDMS allows all three access to all of the documents at any time.

A web interface adds another layer of accessibility by allowing you to lookup your documents from any computer anywhere, so you no longer have to copy and carry around large briefcases or file folders of documents. If a client calls late or while you are out of the office, it's simple to find the document they are asking about and answer their questions on the spot.

This secure and instant access of documents saves huge amounts of time and cuts down on call backs to clients as you can pull up documents while on the phone with them.

Using an EDMS solves the "Find that Pesky File" problem. All files are available all the time.

Benefit #2 - Electronic Workflow

Workflow has been around since man has done any sort of 'work'. Any process that takes place involves workflow. Whether that process is limited to a single individual or multiple people, a series of steps is completed to formulate the workflow process. Every firm has some sort of document workflow process in use. Whether that document workflow consists of a client medical record, investigation report, email, snail mail, or other document; workflow of documents occurs every single day. Once the realization occurs regarding how often document workflow occurs each day, one begins to consider ways to improve and streamline the document workflow process so as to maximize time and cost savings. The easiest way to implement electronic workflow is to select a software package that can mimic the way documents are currently routed physically. A good workflow system should support:

- Manual and/or Rules Based Routing
    - Documents or Cases can be routed on a set path(Rule) or sent directly to a person or group(Manual)
- Variable Input/ User Defined Input and Branching Logic within Rules
    - These items allow workflow to move along different paths based on input from a user or other variables. For example, cases with a settlement value of <$50,000 might follow a different workflow than cases with a settlement value >$50,000
- Escalation procedures via message notifications and/or reassignment to new users
- Notification of Workflow Items via email and/or popup messages
- Change of Workflow Path by Authorized Personnel
- Non-business day definitions
- Workflow monitoring and Status Reports
    - Build custom workflow reports.
    - Save the reports to multiple outputs such as PDF, XML, CSV, etc.
    - Find out who processes the most documents in your firm.
- Automatic routing at the time a document is filed into the system

Using workflow rules forces documents along the same path each time. This generates worker efficiencies as it much easier to repeat the same process using the same steps.

A complete whitepaper on workflow is available at http://www.cabinetng.com/white-papers/workflow.php

Benefit #3 - Search and Retrieval Capabilities

Before we get in too deep with the technology side of searching for documents, it is important to review how businesses perform routine document searches. Most businesses today store documents across three or four separate locations: centralized paper-based file cabinets, paper-based file cabinets in employee's offices, folders on shared server drives, and local desktop hard drives. As a result, multiple searches are often required when the exact location of a document is unknown. This is especially true when the person who created or filed the document is unavailable. Most companies try to centralize all filing to a single file room and a server, eliminating storing of business documents on local hard drives and file cabinets in people's offices. This is usually the first step toward making the transition to an EDMS.

Finding the Case File

This is a real life example that may sound all to familiar. Your legal assistant (Pat) receives an urgent inquiry from an insurance company requesting a document from a specific case record. Here is the process:

1. Pat goes to the case file cabinet.
2. Assuming the last person to use that folder replaced it in the correct location, Pat pulls that folder.
3. Pat takes the folder to the copy room and faxes the necessary document to the insurance company.
4. Pat returns to the file cabinet.
5. Pat re-files the folder in the correct location (hopefully).
6. Pat returns to office and resumes work.

If this sounds like a dream sequence from a Hollywood film, then you have figured out in real life, the retrieval process never goes this smoothly. There are countless speed bumps that inevitably appear throughout this process. And it starts before we even get to Step 1. Pat gets another call or someone walks into Pat's office and the trip to the file cabinet gets delayed, if not forgotten.

What are some other speed bumps? Here are a few of the classics:

- Pat can't find the cabinet key.
- Pat spends time searching for the folder and can't find it. Someone else has it out or has misfiled it.
- Pat runs into Sandy and they have a cup of coffee and discuss important business matters and maybe the movie they saw over the weekend.
- Pat lays the folder down in the copy room and gets distracted. A disgruntled employee takes the folder and discovers private information. Mayhem and legal action ensue.
- Pat makes it back to the file cabinet unscathed, but accidentally misfiles the folder, making it impossible for the next person to find.
- Pat forgets the original objective of the trip to the file cabinet and returns to her desk.

With an EDMS, Pat asks the insurance examiner for some piece of pertinent information, claim number, case number, etc. - does a search for the document and faxes it straight from her desk all while still on the phone with the representative.

Search Methodologies

There are a variety of ways to search for electronic documents. Most EDMS use one or more of the following:

- structural search
- keyword and/or metadata search
- full text search

Structural Search

Structural search is the method most closely related to the file cabinet, file folder approach because it relies on a consistent, hierarchical and controlled structure for storing documents. The best systems are able to emulate the physical filing world to make the transition to EDMS more seamless for people who are accustomed to working with file cabinets, folders, index tabs, documents and even paper-clipped or stapled documents. So now Pat can log in to the case cabinet, find and open a folder, identify the required document and even email, fax or print the document while the insurance company representative is still on the phone.

Keyword and Document Title Search

An EDMS allows users to index documents with a title and keywords. Those words can be entered later in a search field and a list of documents associated with these words will be presented. The more words associated with a document the more specific the searches that can be performed. The fewer words, the more likely you would receive a longer list of documents returned by the search. So if Pat needs to find all insurance documents for All Farmer's insurance in all case folders, this is simple to do with a keyword search. Unique words in a document title or keyword can be used to produce very narrow searches. For example, searching for a specific invoice number from a specific vendor in the title of a document could result in immediately locating a single document.

Full Text Search

Full Text Search (FTS) is yet another way to search for a document. FTS involves looking for a document based on a word or phrase that may be contained within. For example, if Pat wants to find all documents in the electronic HR cabinet which contain the phrase 'law suit' FTS would be very useful.

FTS first and foremost requires that documents contain text. An EDMS that provides full text search indexes the text contained in all the documents within a database. As documents are filed and indexed, they become searchable using the EDMS FTS feature. This is a straightforward process for documents like emails, MS Word®, MS Excel® and other text-based documents. However, scanned documents do not contain text (a scanned document is an image) so they must be converted to a format that contains text and is searchable (i.e. searchable pdf).

This type of search allows pat to search all records for a particular case reference or other specific words used within the document. This is akin to having Google search your entire case history **content**

A complete whitepaper on searching is available at http://www.cabinetng.com/white-papers/document_search_methodologies.php

Benefit #4 – Integration with other office applications

It is now possible for small and medium-sized firms to achieve levels of application integration historically reserved for large practices with deep IT pockets. Specifically, how an EDMS can be integrated with other core firm applications to drive efficiency and manage IT costs.

One of the bigger problems firms face is the need to enter the same data more than once to satisfy the requirements of different software applications such as a case management system or an accounting software package. Frequently these applications do not communicate data with each other. As a result, data is entered twice, which take additional time and increases the possibility of data entry errors.

Another significant problem is learning new software applications. Most firms find it difficult to spare employee time to learn new software applications. Cabinet NG has developed two modules, Synchronizer and Retriever that provide the advantages of using an integrated EDMS. In addition, Synchronizer and Retriever can quickly be set up to integrate with other software applications without custom programming. As a result, Synchronizer and Retriever make the investment in an EDMS much easier to justify than deploying a non-integrated document management solution.

Synchronizer is an add-on module for the CNG-SAFE EDMS. Synchronizer can be used to automatically read the data from the case management system and create a folder for each case in the case cabinet. The same thing could be accomplished with almost any software package. This defeats the problem associated with entering data more than once and ensures the data is the same in both systems.

Retriever is a Windows and/or Web based application that connects CNG-SAFE with other software applications. One example would be for Retriever to be connected to a case management application and provide a way to immediately access all the documents associated with the information being displayed in the case management application.

A complete whitepaper on Out-of-the-Box integration is available at http://www.cabinetng.com/white-papers/out-of-the-box_integration.php

Benefit #5 – Disaster Recovery

Nearly 18,000 businesses were dislocated, disrupted or destroyed by 9/11. Thousands more were affected by Hurricane Katrina. According to research by the University of Texas, only 6 percent of

companies suffering from a catastrophic data loss survive, while 43 percent never reopen and 51 percent close within two years.

If you come into work one morning to find your office has been destroyed, would your business recover?

- Would you lose all of your paper documents?
- Are electronic documents that are scattered across many different workstations now useless?
- Have you lost valuable email messages?
- Where are your case records?
- What would you do?

Paper documents stored in file cabinets are susceptible to fire and flood. You cannot recover a paper document that has been destroyed by a fire or a flood. But the problem goes beyond your paper files. Electronic documents stored on workstations and servers across your operation are equally vulnerable to catastrophic loss.

Nobody wants to think they might need to implement a disaster recovery plan, but proper planning could enable your firm to survive a disaster.

What processes do you have in place for backing up critical data? Consider where and how your paper documents are stored. Think about important electronic documents within your network. Now, lock the doors and walk away. How would your company re-establish operations? If you take that thought process and expand it and begin thinking about what you would need to resume operations then you have the beginnings of a disaster recovery plan.

Using an EDMS allows multiple backups to be stored at offsite locations providing a means to recover your data in the event of a disaster.

Recovery

In the event of a disaster, the goal is to be able to quickly procure a temporary office, install computer systems and restore all required documents and information that enables a business to function. The biggest differentiator between a backup plan and a disaster recovery plan is maintaining a copy of your critical documents in an off-site location.

- Consolidate documents of all types into an EDMS
- Create a backup strategy
- Implement your backup processes
- Test your restore capabilities
- Ensure your backup medium is stored at an off-site location

BONUS BENEFIT #6 – A sample return on investment (ROI) calculation

To calculate an ROI for a small to midsized law practice office, we'll use the following information. This sample office will consist of two attorneys plus five support staff for a total of 7 people. Let's assume that it's an average office and generates 100 new documents a week (This is a fairly low new document count, but helps prove the point that EDMS systems generate a great ROI). This office has been in business for 10 years and has a row of 10 filing cabinets in the back room. The spreadsheet below demonstrates the payback. Simply exchange your firm's numbers to calculate your ROI.

Daily Labor Costs for a paper-based Document Management System	Example	Time Spent	Cost
What is the average hourly salary?	$10		
How many people handle documents?	7		
How many times does each person retrieve a document daily?	10		
How long does it take to retrieve a paper document? (minutes)	3	210	$53
How many new documents are generated a day?	20		
How long does it take to file a paper document? (minutes)	3	60	$15
How many paper copies are generated per day?	60	.05	$3
Daily total costs for a paper based system			$71
Monthly total costs for a paper based system (20 working days/month)			$1,420
How much do you spend for off-site storage monthly?	$100		
How many filing cabinets (12 sq ft/cabinet - $15/year/sq ft)	10	120	$150
How much do you spend on filing supplies per month?	$50		$50
Monthly costs for maintenance			$200
Annual cost to maintain paper based document management system			$19,320
Implementation cost for a 5-user document management system			
Software (5 concurrent users)			$5,000
Server with 200GB of storage			$2,000
Scanners (3 mid-range scanners @ $500 ea)			$1,500
Training and Setup			$2,000
Total Cost			$10,500
Daily Labor Costs for an Electronic Document Management System			
What is the average hourly salary?	$15		
How many people handle documents?	7		
How many times does each person retrieve or file a document daily?	10		
How long does it take to retrieve a paper document? (minutes)	.5	35	$8.75
How many new documents are generated a day?	10		
How long does it take to file a paper document? (minutes)	.5	5	$1.25
How many paper copies are generated per day?	0	.05	0
Daily total costs for a paper-based system			$10
Monthly total costs for an EDMS (20 working days/month)			$200
Annual software maintenance contract (20% of software purchase)			$1,000

Annual cost to maintain an electronic document management system			$3,505
Monthly savings			**$1,318**
Months to payoff			**8**

NOTES ON THE ROI CALCULATION

By now it is evident an EDMS can be a very valuable tool for small to mid-sized firms. The ROI calculation portrayed was done without taking into account the following factors. Lost documents become a thing of the past. The powerful search tools built into an EDMS make it virtually impossible to lose a document. Based on the statistics in Appendix A… In our sample office that generates 100 documents a week, 7.5 of them will be lost requiring the document to be recreated at a cost of $220 each. If the paper based system being used is very efficient and this loss is reduced to 4%, the total is still a cost of $880/week. If the EDMS is inefficient and has a loss rate of 2% the savings in using an inefficient EDMS is $440/week or $5,280/year. It's hard to calculate how much time and effort is saved just by not losing documents, but it is an important consideration.

Misfiled document also become a non-issue. Again the powerful search tools built into an EDMS allow misfiled document to be easily found and re-filed in the correct place. At a misfile rate of 3.5% and a cost of $120/misfiled document, the sample office will save an additional $420/week or $5,040/year. Misfiled documents are a huge problem and can turn an office upside down when looking for misplaced documents.

Answering a customer's query while on the phone with them is also a source of significant savings. Imagine the following scenario – a client calls in with a question about a case. If the paralegal can pull up the document on their screen and answer the question right then without having to pull the file and call the client back, a huge time savings is generated for the firm. It is also more efficient for the client and the telephone tag game is avoided. Being able to email the client a copy directly has the same benefit.

Another time saving illustration not reflected above is using electronic workflow to distribute and route documents through the firm. Think of the time used in moving paper from one point in the firm to another. Some firms still have a person that goes around and picks up paper documents and moves them from one point to another. With an EDMS this function is eliminated entirely.

The worksheet used in this sample ROI calculation can be downloaded at http://www.cabinetng.com/downloads/ROI-Calculator.xls. Take a look around your office and plug in numbers that make sense for your firm and see what your ROI would be.

APPENDIX A – Document Management Facts

Office Document Statistics (from a Cooper's and Lybrand study)

- Comprise greater than 80% of corporate memory (contracts, memos, project plans, …)
- 90% of documents that are handled in an office are merely passed along or shuffled through
- The average document gets copied 19 times in it's life
- Cost
    - $20 to file a document
    - $120 to find a misplaced document
    - $220 to replace a lost document
- Percentages
    - 7.5% of all documents get lost
    - A sample office that generates 200 documents a week will lose 15 of them, costing the company $3300
    - 3% get misfiled
    - A sample office generating 200 documents a week will misfile 6 of them, costing the company $720
    - 50% of a professional's time is spent looking for information. Only 5-15% is used in reading the information
- There are over 4,000,000,000,000 (4 trillion) paper documents in the U.S. alone. They are growing at the rate of 22% a year or roughly 880 billion a year.

For more information on document management, please visit http://www.cabinetng.com