

White Paper

Content and Records Management:

The business case for transformative outsourcing.

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March 2008

White Paper

Content and Records Management: The business case for transformative outsourcing.

The dynamic role of outsourcing in business transformation today

Today, leading organizations around the world are making a major commitment to the process of business transformation. The goal of the reshaping effort is to minimize risk and achieve greater efficiency, profitability and agility—all vital ingredients in the recipe for 21st-century business success.

Typically, organizations begin this transformation by taking a long, hard look at the way they run all of their operations and their business processes.

The result of this intensive self-analysis is a crystallized focus on the specific elements of the business model—the strategic core competencies—that enable it to deliver a unique value to the client and create a sustainable competitive advantage.

Elements of the business that are not an integral part of these core competencies are then viewed as candidates for outsourcing if there are clear-cut business benefits to be gained in terms of efficiency, productivity and organizational effectiveness.

“Outsourcing isn’t about moving jobs,” a telecommunications executive told *Business Week*. “It’s about the flexibility to put resources in the right place at the right time.”

The business benefits of transformative outsourcing

If additional analysis determines that there is a strong business case to be made for outsourcing a particular operation or business process, the organization then searches for an outsourcing partner with the expertise, experience, technology and client focus to deliver benchmark capabilities based on industry best practices.

Once the outsourcing relationship is under way, the organization benefits in several primary ways:

- The quality of the outsourced process is dramatically upgraded, improving productivity and efficiency while reducing costs.
- Valuable staffing, technological and financial resources are refocused on mission-critical core competencies that are dedicated to generating a competitive advantage in the marketplace.
- The trimmed-down organization is much more agile, which enables it to respond more quickly to changing internal and external conditions.

In addition, these benefits can be achieved regardless of whether the outsourcing solution is designed for the entire enterprise or a smaller-scale implementation.

The rapid expansion of outsourcing applications

Because all of these benefits are so important today, outsourcing has become a top-priority topic in corporate boardrooms around the world. Instead of viewing it simply as a tool for cost reduction, many business leaders now use the term “transformative outsourcing” to capture its full catalytic potential.

It’s important to remember, however, that outsourcing does not simply mean staff augmentation or transferring business process support overseas. In fact, outsourcing today may take place within an organization’s own facilities or at a service provider’s site within the country of origin.

In addition, the range of business processes and operations that can be outsourced effectively has expanded dramatically in the past two decades.

- Industrial giants like GE now outsource the majority of their manufacturing operations. Those operations were once considered an integral part of the company.
- Pharmaceutical companies today are outsourcing everything from drug discovery and manufacturing to regulatory compliance.
- Innovative companies like Procter & Gamble are now relying on outsourcing partners to develop new product ideas. For most development-oriented companies, that would have been unthinkable 20 years ago.

Meanwhile, outsourcing continues to grow in traditional back-office areas like accounting, human resources, data processing, security, call centers and IT management.

As a result of these trends, the outsourcing of business processes has become a \$6 trillion global business, according to Michael Corbett, author of *The Outsourcing Revolution* and executive director of the International Association of Outsourcing Professionals.

“Ninety percent of companies say that outsourcing is an important part of their overall business strategy.”
- Michael F. Corbett, *The Outsourcing Revolution*

Many companies have yet to discover the dynamic value

Despite the growing importance of business transformation and outsourcing, many companies have yet to take full advantage of the benefits that can be achieved by turning their non-core operations and processes over to experts.

Take content and records management, for example. These processes play a crucial role in the daily work of an enterprise. But they are rarely designed and managed in an optimal way.

In addition, because these document-related processes are so pervasive, it can be difficult for organizations to develop a true picture of all of the costs involved in terms of staffing, technology and work processes.

That hidden complexity has an unfortunate side effect. It often dissuades senior leaders and managers from considering the possibility of an outsourcing solution at the enterprise, business process or line of business level even though a careful analysis will show that there are clear-cut business benefits to be gained.

Content and records management: a viable candidate for transformative outsourcing

Since every company has to manage documents and records that are in both hard copy and digital form, content and records management activities based on best practices are essential today. After all, these important functions impact everything from daily operations and risk management to knowledge sharing and organizational efficiency.

But for the vast majority of businesses, content and records management are not core competencies. By definition, then, they represent a potential diversion of resources and attention from the enterprise’s mission-critical activities.

That’s why it makes sense for many organizations in both the private and public sectors to consider outsourcing these important, non-core business processes. In addition, there are a variety of reliable services available today to help organizations improve their imaging, document management and records management functions.

These services—which are secure, highly reliable and easily accessible over the Internet—cover everything from online digital document storage to search and retrieval. They can also be easily integrated with file conversion, production printing and digital media production as well as with strategic, IT-based business applications operated by lines of business.

In an age that places a premium on organizational efficiency, the benefits that can be gained from an effective, well-managed approach to outsourcing these services certainly deserve careful evaluation.

It's also important to remember that companies can approach outsourcing content and records management from a variety of different perspectives.

For example, an enterprise-level implementation can generally be expected to make the greatest overall contribution to the bottom line. But this is an impractical first step for many organizations. As a result, a more viable approach may focus initially on outsourcing a particular business process or even a key segment of a business process. As long as these decisions are guided by a holistic, long-term strategy for Enterprise Content Management (ECM) and Enterprise Records Management (ERM), they can provide a practical, manageable and cost-effective way to discover the value of transformative outsourcing.

Should your company investigate outsourcing? Questions to consider

Every company needs to carefully weigh the pros and cons of outsourcing content and records management. The questions below will help you get your assessment process off to a productive start.

1. Are your ECM and ERM business processes core competencies that deliver a unique value to your customers and stakeholders?
2. How central are ECM and ERM processes to your organization's mission?
3. Is your approach to ECM and ERM based on a sound strategy designed for optimization or is it the result of a "we've always done it this way" management philosophy?
4. What is the true cost of all the resources—including staffing, technology and processes—that are devoted to content and records management throughout the enterprise?
5. How easy is it to improve your ECM and ERM approach? Do you utilize best practices and best-in-class technology?
6. Are you satisfied with your current approach to ECM and ERM in terms of efficiency, cost, quality and ease of management?
7. Could your organization benefit by reallocating the resources currently invested in ECM and ERM operations to more mission-critical tasks?
8. Could outsourcing ECM and ERM reduce your costs and risks, improve your organizational flexibility and agility, and free up resources to accelerate growth?
9. How do your ECM and ERM processes integrate and support your business operations? Is there room for improvement?

Understanding the many economic benefits

Clearly, it takes an in-depth assessment to determine the optimal scope of an outsourcing arrangement and to thoroughly evaluate the gains in efficiency and cost savings that a company can hope to achieve.

Nevertheless, companies that outsource non-core content and records management business processes often find concrete, measurable improvements in three key areas.

Strategic Improvements

- Improved organizational efficiency
- Improved decision-making and flow of information
- Improved compliance with policies and procedures
- Automation of manual processes and reduced paperwork
- Improved employee retention through better communication and alignment with corporate strategy

Business Process Improvements

- Reduction in business process cycle time
- Improved accuracy of business processes
- Improved customer satisfaction and lower customer support costs
- Reductions in office space, copying, shipping and courier costs
- Optimization of staffing

IT/Operations Improvements

- Elimination of redundant hardware and software
- Reduced maintenance and support costs
- Reduced application and integration costs
- Reduced technology costs for storing, accessing and sharing records and content
- Reduced risk of penalties for destruction of evidence or noncompliance

All told, these benefits can increase organizational efficiency, speed up the flow of information, improve compliance, and reduce risks and costs. That's why more and more companies are considering outsourcing records and content management today.

Making a sound outsourcing decision

Step one: Understand the key issues involved with enterprise content and records management

Before you can make a well-informed decision on outsourcing, you need to develop an in-depth understanding of your current approach to content and records management across the enterprise. In general, there are important issues to consider in the four key categories of strategy, staffing, process and technology.

Let's quickly review the specific issues in each area that are influencing today's outsourcing decisions.

Strategy

- **The importance of lifecycle management.** Does your company manage documents and other forms of content throughout their entire lifecycle?
- **Risk management and business resumption activities and plans.** Do you have a well-documented plan?
- **Benchmarking and best practices.** Do you benchmark your strategic and tactical approach to content management and follow industry best practices?
- **Repositories or fileshares.** Do you house key records and documents in dedicated repositories or do you rely on shared file systems?
- **Process integration.** What level of integration with business processes have you achieved in your approach to content and records management?
- **Centralized or decentralized storage.** Do you have an effective, centralized repository system or are you dependent on isolated silos located in different organizations and lines of business?

Staffing

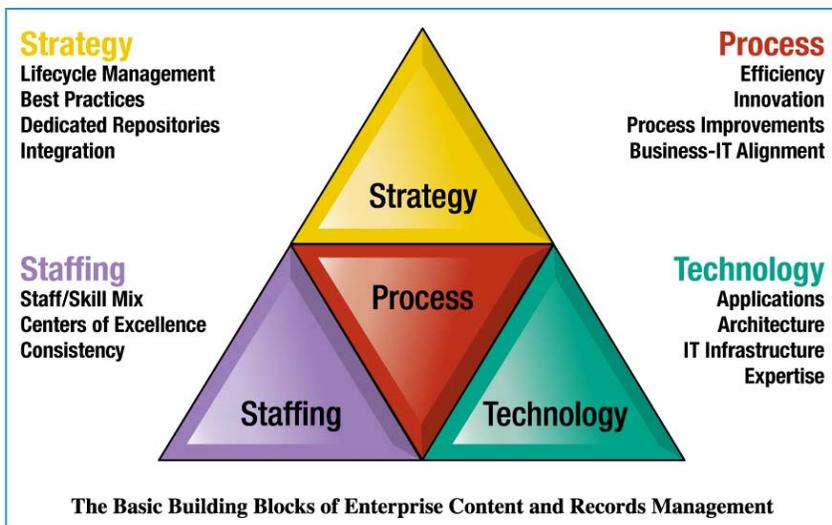
- **Skill-set audit.** Do the people involved in content and records management have the right skills to achieve your strategic and tactical goals?
- **Centers of excellence.** Has your staff developed internal best practices that can be replicated throughout the enterprise?
- **Quality consistency.** Is there a major disconnect in terms of quality and efficiency between different content and records management functions in the enterprise?
- **Staffing efficiency.** Are there redundancies and inefficiencies in staffing when you consider all of the people involved in content and records management at both the corporate and line-of-business levels?

Process

- **Informational efficiency.** Are the work processes and supporting systems designed to provide the right information to the right person at the right time?
- **Process history.** Is your company relying on outdated and inefficient processes simply because “we’ve always done it that way,” or have you developed your processes to achieve strategic enterprise goals?
- **The cost rationale for improvements.** What are the costs and benefits of potential process improvements that will help you achieve your goals?
- **Innovation evaluation.** Are you reducing the time it takes to develop new innovations? Are you entering new markets at a faster pace? Are you developing a leadership position in the new markets that you enter?
- **IT alignment.** How do you evaluate the degree of alignment between the IT infrastructure that supports your processes and the business objectives they are designed to achieve?

Technology

- **The nature of your applications.** Do you rely on customized applications? If so, how extensive is the reliance?
- **Architectural approach.** Are you evolving toward a service-oriented architecture (SOA), or maintaining individual, hard-coded applications?
- **IT maturity.** What’s the current state of your IT-business alignment and process infrastructure? Can IT respond to the organization’s business requirements?
- **Domain expertise.** Does your organization have a staff well-versed in key content and records management areas, including development, best practices, support and emerging technologies?



Step two: Carefully manage the political landscape

Enterprise improvement projects have a far-reaching impact on organizations and employees. They also involve a variety of specific organizational, financial and technical risks. As a result, it's important to carefully manage the associated risks and political sensitivities throughout the entire outsourcing effort to maintain broad-based support.

One of the most common issues improvement teams run into is resistance to change. To overcome this resistance, it is important to clearly communicate management's support of the initiative and explain the importance of enterprise content to the success of the organization. In addition, training can be developed to help employees adjust to new work processes and expectations.

Improvements that impact the technology infrastructure often involve political challenges that complicate deployment and integration. Careful planning can mitigate these factors and win support from a critical stakeholder group: IT planners. This planning should assess the impact of new content management applications on legacy systems and pinpoint the resources required for a smooth transition and integration.

During any content or records management improvement initiative, it's essential to maintain organizational access to vital records and other information in case of emergencies, disasters and other unexpected events. A sound plan and methodology for maintaining access will allay concerns that could affect deployment.

The improvement initiative may also present the opportunity to test the advantages of developing enterprise taxonomy to provide a more systematic approach to records classification, location and retrieval.

A well-developed taxonomy will help reduce redundancy, error rates and adverse legal exposure while improving speed and efficiency. It represents a major advancement over keyword indexing and can be another key ingredient in the effort to prevent political problems and win high-level support for an outsourced enterprise content and records management solution.

Step three: Investigate the role content and records management processes play in key operational functions

The business processes dedicated to enterprise content and records management exert control of the creation, capture and retrieval of records and documents within lines of business as well as from outside their domain.

These records and documents—which are stored in an increasing variety of media, formats and applications—play a key role in a variety of critical operations, including:

- Customer Service
- Application Processing
- Payables and Receivables
- Governance, Risk and Compliance
- Litigation Services/Discovery
- Human Resources
- Engineering
- Shipping and Logistics
- Claims Processing
- Product Lifecycle Management

The prevalence of content and records management activities throughout the enterprise represents a significant, ongoing management challenge—a challenge that can be addressed and alleviated through skillful outsourcing.

Step four: Assess the potential impact of outsourcing improvements

The ultimate test of whether outsourcing makes sense for your organization is whether you will experience significant improvements in the quality, efficiency and cost-effectiveness of your enterprise content and records management operations. A successful outsourcing solution will help you optimize the allocation of resources and improve your organization's agility, flexibility and effectiveness.

The questions on page 4—"Should your company investigate outsourcing?"—will help guide you through this step.

Step five: Choose a qualified outsourcing partner to manage your imaging and archiving operations

If your analysis concludes that your content and records management operations are inefficient, non-core functions, the next obvious task is to assess the capabilities of potential outsourcing partners.

Before you draw up a short list of candidates, however, you should clearly define your requirements for a successful relationship. These requirements will serve as the foundation for your partner evaluation process.

Please remember that these requirements should be developed in close collaboration with colleagues from IT, Sales and Marketing, Human Resources, Operations and other internal content and records management stakeholders.

Key criteria for a qualified outsourcing candidate

Since every company is unique, it's impossible to list all of the criteria for an outsourcing partner that will increase your odds for a successful, long-term relationship.

Nevertheless, here are some of the key issues involved in most outsourcing decisions. You'll want to consider them carefully during your due diligence process.

A long track record. Years of experience are no guarantee of success. But they do indicate whether or not a company has been able to satisfy a large number of clients over a long period of time. That's why you'll want to find out how long your potential partners have been in business and how many clients they have served.

Financial stability. A stable, well-capitalized company offers advantages in terms of talent, resources and technology. Financial stability also provides reassurance that you won't have to worry about your partner going out of business or experiencing financial difficulties during a critical time for your business.

Expertise in technology and service delivery. Since content and records management services depend on technology, it's important for your partner to have an in-depth understanding of all of the technical issues involved. At the same time, your partner must have broad expertise in service delivery. In the intertwined world of enterprise content, risk and records management, these are essential requirements for success.

Reputation for leadership. To get maximum value from an outsourcing relationship, you'll want to work with a company that is a leader in its field. The prestige factor isn't important. But leadership usually comes from a long history of success and innovation. Those are valuable traits in an outsourcing partner.

Expertise in your industry. In today's competitive environment, you can't afford a long learning curve with an outsourcing relationship. That's why it's important to find a partner with established experience and expertise in your industry. Not only will you be able to take advantage of your partner's knowledge of industry best practices, you'll get a faster return on your investment.

An in-depth understanding of your business model. To meet your requirements, your outsourcing provider will need to understand your business model, your core competencies and how your enterprise content activities support them. If a potential partner isn't willing to become an expert on your organization's mission, cross it off your list.

The ability to respond quickly to change. Flexibility is a key requirement for any business relationship in an age of constant change. So you'll want to make sure that your outsourcing partner is ready and willing to adapt to the planned and unplanned changes your company will go through. You'll also want a partner that can help you take advantage of new technological innovations in content and records management.

Performance management experience. In addition to meeting the requirements stated in the contract, your outsourcing partner should be comfortable working within a metric-based performance management system. Companies that have experience with Six Sigma, Lean and other disciplined management methodologies usually have an advantage over other providers in their ability to operate effectively in systems based on quantifiable performance monitoring and measurement.

A detailed plan for client communication and problem remediation. Open, ongoing communication is a priority in outsourcing. Your partner should know how to develop and implement a detailed, multifaceted communication plan that will help build an effective relationship with all of the stakeholders in your organization. Since problems can occur even in the best partnerships, it's also important to have a clearly articulated process for solving problems and resolving disagreements. Most experienced outsourcing providers already have effective problem-solving processes in place.

Expertise in information security. Your documents, records and images are valuable intellectual property. So your enterprise content and records management outsourcing partner needs to have the experience, expertise and technology to protect your information. Consider it a bonus if your partner has hands-on experience in the development of innovative information security technology and processes.

The added value of a consulting relationship. To achieve the full range of benefits made possible by transformative outsourcing, your provider should do more than take an operational headache off your hands. After all, the best outsourcing companies serve as proactive consultants as well as service delivery experts. Expect this added value from the company you select to be your partner.

These are some of the top-priority issues that deserve careful consideration when you're evaluating candidates to provide outsourced content and records management services to your company. They will help you find a highly qualified partner.

The many benefits of outsourcing often exceed goals and expectations

Organizations that skillfully manage the outsourcing process typically discover a wide range of strategic business benefits that often exceed their original goals.

The capital investment needed for online document systems is reduced. So is the cost of physical records storage. Employees become more productive because they have better work processes and better access to important documents and records. Risk is mitigated through automation of records retention and destruction policies. Transaction controls improve document tracking and management. And the more flexible pay-as-you-go cost structure based on service fees helps optimize the utilization of resources.

Companies also benefit from the efficiency and productivity of their partner's dedicated, highly trained, professional staff and from the rapid implementation and start-up made possible by outsourcing.

There is a strong business case to be made for outsourcing a particular operation or business process; as such, the organization should choose an outsourcing partner with the expertise, technology, experience and client focus to deliver benchmark capabilities based on industry best practices.

Once the outsourcing relationship is under way, the organization benefits in several primary ways:

- The quality of the outsourced process is dramatically upgraded, improving productivity and efficiency while reducing costs.
- Valuable staffing, technological and financial resources are refocused on mission-critical core competencies that are dedicated to generating a competitive advantage in the marketplace.
- The trimmed-down organization is much more agile, which enables it to respond more quickly to changing internal and external conditions.

Last but not least, outsourcing solutions can build a strong foundation for a total information management strategy that facilitates the transition from a labor-intensive, physically oriented environment using hard-to-manage paper, files and fiche to a state-of-the-art digital records management system.

In a world of increasing competition, these benefits have important implications for organizations of all sizes.

A final word: outsourcing is an opportunity every company should investigate

If you carefully detail your requirements and conduct a thorough evaluation of potential partners based in part on the issues identified above, you should be able to find an experienced partner to provide the expert content and records management assistance you need.

Of course, all outsourcing relationships require active management by the client. It also takes time to fine-tune a new relationship and maximize its potential. Those are some of the real-world ground rules of outsourcing that are important to keep in mind.

Nevertheless, if you take a hard look at the total costs of your current internal content and records management operations—operations that may fall short of benchmark standards in terms of strategy, staffing, technology and processes—you will see that outsourcing is, at the very least, an important topic for your organization to consider.

In fact, a careful analysis of the situation may indicate that outsourcing will help you reduce costs, increase productivity and efficiency, optimize the allocation of resources and sharpen the focus on your core competencies regardless of the scale of the implementation.

Those are the fundamental reasons why “transformative outsourcing” is an important business topic today in corporate boardrooms across the country and around the world.

About the Author

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Richard Baily serves as vice president for Xerox Global Services, where he manages the Imaging & Document Management Services group, a team that works closely with North American clients in six major industries: financial services, manufacturing and energy, retail, healthcare, government and high-tech. Baily and his team provide services that improve the employee and personnel records management process, manage engineering drawings, mine research documentation to better manage intellectual property, and manage the legal discovery process to better prepare clients of litigation.

Baily's experience with document management and information systems dates back to early 1991, when he left Arthur Anderson and Company to help form XLConnect, a systems integration consulting business. When the company went public in 1997, Baily managed operations in the mid-Atlantic region, including marketing, alliance and training programs. When Xerox later acquired XLConnect, renaming the division Xerox Connect, Baily joined the team and helped to successfully integrate the two companies, which were later merged into Xerox Global Services.

Baily holds a Bachelor of Arts degree in chemistry from West Virginia University and a Master of Business Administration degree from the University of Pittsburgh.

For more on Richard Baily, click the full biography link below.

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