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Managing information and documents

the definitive guide – 20th Edition

Chapter 6

Making the
business case



Document Management • Records Management • Content Management
• Document and Data Capture • Workflow Management • Services



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Chapter 6

Making The Business Case

In the ten-stage JISC methodology described in Chapter 5, Stage 5 involves making the business case for the preferred solution that will have been agreed at the end of Stage 4. It is a vital stage as, without a strong business case, projects may not be approved. This will be particularly true in 2009 as organisations will be reviewing budgets very closely.

In this chapter we will look at how to make the business case for the corporate implementation of an EDRM system. However, the key steps involved in making a business case are essentially the same whether you have decided to opt for a point solution, an EDRM system or a full ECM framework. You need to establish the benefits, the costs and the risks and conduct a cost-benefit analysis. So when we talk about EDRM in this section, substitute point solution or ECM framework to suit your situation.

The key to making a successful business case is detailed preparation and planning (Fig. 6.1). Prior to writing the business case for an EDRM solution as part of the JISC methodology you need to have completed some or all of the following tasks:

- define your business objectives
- carry out information gathering
- benchmark your procedures/systems against best practice and business objectives
- identify areas for improvement
- review options and agree preferred solution.

These are all covered in earlier stages of the ten-stage methodology. If Stages 1–4 have been conducted, it is possible to quantify and value information assets and to identify 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 them for investment.

Stage 4 involves carrying out a detailed feasibility study to determine what the options are for moving forward and achieving objectives, and where the best potential business case exists and, hence, the preferred solution. Stages 3 and 4 give 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/RM procedures and a move to an EDRM solution will solve those problems and eliminate those costs, then this will help make the business case.

The feasibility study will also identify the key business benefits that can be obtained by improving those processes. Some of the main benefits that can be achieved by a move to EDRM include:

- improving staff productivity
- reducing costs



Fig. 6.1
Detailed preparation and planning are the key to a successful business case

- expanding market reach
- generating visibility
- offering new services
- e-commerce and conducting business 24 x 7
- improving customer service and responsiveness
- improving customer retention
- truncating processes and hence gaining competitive advantage.

If the feasibility study indicates that these benefits can be achieved only if the organisation invests in an EDRM solution then there is the basis of a strong business case for investing in such a system. 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.

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 involves reviewing the business case and 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.

Fig. 6.2
Improved business
efficiency can result
in improved cash
flow

6.1 Stage 5, step 1—Reviewing the Tangible Benefits

The tactical or tangible benefits can be presented under the following headings.

Productivity improvements

If staff productivity can be improved you can achieve tangible benefits. The benefits could be the savings involved in reducing staff numbers required to process existing business levels 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 system. 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 EDRM 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.

Improved cash flow

Many organisations that have lost control of their supplier payment process can improve cash flow (Fig. 6.2) 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 5 or 10 days, cash flow can be improved as well.

Space savings

Organisations with paper-intensive processes will save space by installing a digital system. If staff are laid off 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 public bodies moving from multiple old buildings to a purpose built smaller new building find this the ideal time to implement an EDRM project. An audit can identify paper records that can be destroyed and those that can be moved offsite to lower cost storage and an EDRM system ensures that large volumes of paper records will not be created on an ongoing basis and backfiles of ac-



tive paper documents can be scanned and loaded on the new system and the paper then destroyed or archived offsite.

6.2 Stage 5, step 2—Reviewing 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
- ability to deliver improved quality levels to agreed financial targets
- reduced production cycles
- regulatory record keeping compliance
- value of corporate information assets enhanced
- improved knowledge management
- improved management information
- support process-oriented/team working
- full disaster recovery
- ensure the organisation is more responsive to change.

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 EDRM 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 WFM software, the investment in a contact centre will not necessarily improve customer service levels.

The websites of the leading EDRM and 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 Stage 5, step 3—Reviewing the Costs

The real costs (Fig. 6.3) of investing in RM policies, tools and procedures and in an EDRM solution 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 are 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 ob-



Fig. 6.3
Review the costs of investing in policies and solutions

tain 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 Stage 5, step 4—Cost Benefit Analysis

To make a tight financial case the project figures must be accepted. Ideally, the organisation will follow a standard methodology for measuring the finance case for an investment in new technology. If it does, they 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 system 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.

In addition, 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 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 will be 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 system 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 five years, the objective should be a discounted project payback of less than 36 months. If the project life is 7 years the payback may stretch out to 4–5 years. The value of the savings should be presented as a net present value—the value today of the money received over the 5-year period using an agreed interest rate.

Finally, because very few IT 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-benefits 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.