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## The Myth of the Paperless Office

### Ten Steps towards a Successful Document Management Outsourcing

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Despite the proliferation of new digital technologies, the reach of the Internet and a decline in data storage costs, business still relies heavily on paper as a communication medium. As a result, organisations tend to have significant investment in the resources required to create, distribute and store paper, even though those activities are unlikely for many organisations to be core to their business. More and more companies are therefore looking to document management outsourcing as a way to streamline and enhance this part of their business.

However, although document management functions may be strategically distant from core business, in practice there is a tendency for the resources and processes supporting those functions to be deeply embedded within the overall organisation. This presents a challenge and potentially, for the organisation considering outsourcing, and, to make it work, a significant operational transformation may be required to the way in which business is conducted.

On the basis that forewarned is forearmed, this article highlights 10 key issues relevant to document management outsourcing (DMO), a term used to cover a wide range of document-based activities which might be outsourced, including printing, scanning, reprographics, mailroom, print procurement, direct mail and physical archiving.

#### 1. Employee Intensive Operations

The maintenance and operation of legacy equipment and the physical distribution of documents tends to require a large number of supporting personnel. Accordingly, due attention must be given to HR and employee issues. One aspect of DMO is that the incumbent workforce may not necessarily present an incoming service provider with flexibility in terms of potential for deployment within the wider business. For example, services employees may have quite a narrow field of expertise meaning that deployment in new areas, or in areas where the use of new technology skills are necessary, may represent a significant re-training cost. So, from a commercial perspective, employee costs may present a challenge, especially where a feature of the DMO is cost reduction through the introduction of new processes and technologies.

Given the importance and sensitivity of the issues, in advance of any definitive DMO contract it is essential that all necessary legal steps are taken in connection with the treatment of employees. This becomes particularly important where there is a risk of redundancy. So, whether the intention is that employees transfer to the service provider, or remain within the customer's business, appropriate consultation will be required. Print and mail unions tend to be historically well-established and well-organised and in many jurisdictions it will be necessary to engage in consultations with Works Councils and Trades Unions. However the time required for such consultation is sometimes under-estimated and needs to be factored in to any DMO project.

#### 2. Historical Service Levels

An essential element of any DMO is agreement on services, service levels, any related KPIs and, if appropriate, service credits. However, in document management where working practices have been maintained for many years it is not uncommon for existing services to remain unmeasured and unrecorded save for the most basic performance metrics.

Efforts to document these metrics are further complicated by the occurrence of seasonal peaks and troughs in service demand which are typical of print and mail operations. These peaks and troughs can distort averaged annual statistics and have the potential to create a misleading impression of a document management operation's capabilities. However, it takes time to get to grips with seasonal fluctuations with any degree of accuracy.

So, a lack of historical records and the need for detailed due diligence of actual performance may make it necessary for detailed agreement on services scope and related levels to be pushed out to a post-signature transition period. In these circumstances, customers and service providers alike will need to agree adequate protection in the contract to minimise post contract signature disagreement over service level measurement.

### **3. Service Scope**

Again, typical of deeply embedded service functions which have a significant human component, is the issue of favour services. These services are unlikely to be tracked in operating manuals and may not even be known to managers. They are services provided on an ad hoc or informal request basis e.g. deviations from an established mail route for an ad hoc delivery, and are made because an individual is perceived to have "5 minutes to spare".

Ad hoc favour services present problems for both customer and service provider. For the customer, unless such services are captured in the contract, the risk is that services may be lost. This loss, if not managed appropriately, can lead to a perception of DMO project failure by senior stakeholders; such senior stakeholders frequently expect access to favour services and tend to notice when they are not made available particularly where the individual refusing the request is the same person who helped out pre-DMO.

For the service provider, the risk of vague service scope definitions is that the service provider may find itself unable to free-up print equipment, people and other resources without breaching its customer contract. So, a feature of DMO is that service scope discussions often drill down to the activities of particular individuals. This again, requires sufficient time to accommodate in DMO contract negotiations.

### **4. Paper and Consumables**

As with all outsourcing transactions, the pricing provisions and cost factors are central to DMO and require detailed analysis and consideration. In a DMO there are many models for price calculation and in any project these may vary depending upon the particular service line. Nevertheless in a DMO it is always key to consider the price impact of consumables. It is worth bearing in mind that one or other party may be able to exercise buying leverage for consumables and, paper costs may be significant. Indeed, even where paper usage is anticipated to decline over time, paper volumes will likely be pivotal to the pricing structure.

A further feature of DMO also related to paper is that waste and spoiled copies are inevitable in bulk printing. So, costs of disposal and the impact of waste paper may need to be factored into volume based pricing. Waste may also be relevant to performance metrics since the percentage of waste copies may be a separate measurement of performance.

Finally, it is worth considering whether external factors are likely to affect paper requirements. Customer corporate policy may drive an increase in recycled paper which may have price and equipment implications or regulatory changes may lead to service changes e.g. a mass-mailed bank statement may need to be presented in a new format which causes the increase in paper costs or requires new or modified equipment.

### **5. Resource allocation and shared platforms**

There may be benefits for both customer and service provider in the service provider using transferring assets and staff to attract and service new customers. For the customer's benefit there

may be cost savings which the service provider may be able to share. For the service provider, the ability to leverage assets and resources for the benefit of other customers in the same geographical region may be attractive. However, when compared to other types of business process which are more heavily IT-enabled, a DMO presents some constraints upon the achievability of a shared service platform.

In an IT outsourcing, a service provider may, with relative ease -and, potentially, marginal additional cost, be able to bolt-on additional processing capacity or, alternatively, to make use of 24 hour automated processing capability. It may also be relatively straightforward to partition IT equipment on a virtual basis.

By contrast, in DMO the key equipment may need to be located close to local service demand. It may also be expensive and require specialist housing and support. Critically, specialist print equipment (such as that used in secure document production) may be difficult to augment with bolt-on measures.

Finally, DMO is typically a personnel intensive activity and there may be constraints around working hours, as well as sheer physical space constraints. So, in short, there are some real world constraints which potentially inhibit flexible use of DMO resources.

Further, even where physical constraints are overcome, a customer may nevertheless be reluctant to place itself on an equal footing with other customers. Therefore resource allocation is often a critical area for discussion in DMO contract negotiations. "Most favoured customer" clauses are common sources of tension; priority over resources may be sought by the customer but this might reduce service provider flexibility and its ability to attract new customers.

Customer concerns in this area may be alleviated by ensuring that adequate resources are available, not only for ongoing service provision, but also to support special projects and change management.

## **6. Technology risk**

In a world of paper, technology cannot be overlooked. Against the backdrop of an industry moving very rapidly from simple line automation to digital technology both customers and suppliers are concerned to ensure that an appropriate rate of technological advance is maintained without imposing upon the service provider huge uncoded technological leaps. Striking a balance requires both a general view of what a reasonable technology requirement for the relevant operation will look like in 5, or even 10, years' time as well as a more detailed understanding of the technology architecture of both customer and supplier at the time of contract. To achieve this balance, the contract needs a flexible mechanism which promotes customer confidence that proven new technologies will be used, but which also reassures the service provider that onerous technology costs will not fall entirely to its account.

## **7. Real estate**

DMO facilities can occupy significant floor space. However, often there may be multiple locations serving a single customer and, driven by local service requirements, many of these locations may be located within larger retained sites. So, whilst a DMO project may seem to provide opportunities for reduction of real estate costs "on paper", the ability of any incoming service provider to realise creative strategies for alternative exploitation of floor space may in practice be limited. As a result, openness as to the detail of any affected real estate during the procurement process and contract negotiations is key in order to flush out issues and to enable real estate cost factors to be considered within the pricing structure.

## **8. Privacy and Data Security**

In the UK and the US there is an increasing focus on the measures being taken by organisations to keep secure the information they hold about individuals. At the same time, DMO services will typically involve communications with large numbers of individuals. This need to hold and use large databases of personal data and the complexity of volume communications increase the risk of unintended data disclosure or data breach.

In some areas of DMO, such as direct mail, anecdotal evidence suggests that such data breaches

do occur from time to time even within well-run facilities. So, whilst a service provider may perform to high professional standards, it may nevertheless feel that is reasonable for customer to acknowledge relative likelihood of such an event. Conversely, data breach may have serious adverse consequences for a customer in terms of reputation and costs. The solution lies in agreeing a balance between, on the one hand, practical steps to reduce disclosure risk and, on the other, reasonable contract remedies for the customer in the event a disclosure does occur.

## **9. Asset capability and rationalisation**

As discussed above, the physical constraints of DMO equipment must be borne in mind when considering the creation of a shared service platform. The same technical constraints may also have a significant impact on service cost and delivery for one customer. So, for example, if transferred printing or reprographic equipment is only capable of black and white production, a requirement for colour printing will almost certainly bring additional capital cost.

For the service provider this emphasises the need to reconcile service scope requirements to the capabilities of transferring assets. For the customer this means that service charge budgets need to take account of possible capital costs hidden within future business requirements. Where an incoming supplier anticipates an asset refresh or is considering real estate portfolio reduction, it is also prudent to consider the environmental issues associated large scale equipment. So, it may be prudent to obtain an environmental report on any transferring site as well as investigating possible cost implications of disposal of waste equipment.

## **10. DMO is BPO**

Finally, although DMO projects do tend to have individual characteristics, such projects are nevertheless, at heart, business processes outsourcing. Best practice in BPO must therefore be brought to bear at all stages of a DMO transaction. This means attention to all aspects of the outsourcing process from competitive tender through contract signature and beyond, including focus on adequate due diligence, definition of service scope, the mechanisms to facilitate change, relationship management and governance and the exit arrangements which need to be in place for an orderly exit on termination or expiry. In short, for a successful project the features of DMO need to be brought into the wider framework of a well-managed BPO.

## **Conclusion**

Although the technologies employed by expert DMO service providers are increasingly sophisticated, there are nevertheless certain characteristics of DMO which hark back to the basics of people, paper and line automation. By recalling the importance of these basics, whilst we are unlikely ever to eliminate our use of paper, we are likely to be better prepared and to engage in DMO projects more successfully.