

Ricoh Process Efficiency Index

June 2011

Conducted across Belgium, France, Germany, Italy, The Netherlands, The Nordics (Sweden, Finland, Norway and Denmark), Spain, Switzerland and the UK

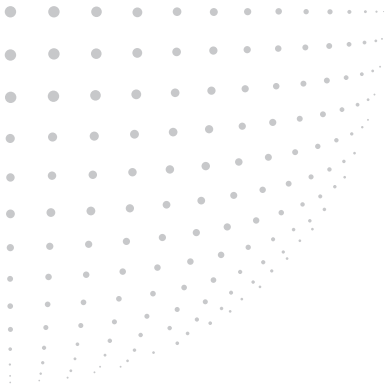
An exclusive research report from Coleman Parkes Research



Contents

1.0	Introduction to the Ricoh Process Efficiency Index	3
2.0	Executive summary	4
3.0	Overview of the key findings	5
4.0	A fresh insight into the costs of processing business critical documents across Europe	6
5.0	Document processes have far reaching impacts across the business	9
6.0	Existing business processes across Europe are unnecessarily labour intensive	12
7.0	CIOs to educate the business and overcome the barriers	15
8.0	Conclusion	17
9.0	Further information	18





1.0 Introduction to the Ricoh Process Efficiency Index

This independent study was conducted by Coleman Parkes Research and commissioned by Ricoh Europe PLC. It provides European CIOs with a fresh insight into business critical document processes. It identifies the areas for improvement and the economic return that those improvements could deliver, particularly in light of the challenges facing the future workplace, including changing demographics, an increased emphasis on sustainability, globalisation and new technology.

The Baby Boom generation¹ is leaving the workforce by 2025 and taking valuable knowledge with them. At the same time the Millennial's² are joining with new ways of working and as mobile work accelerates, it increases the need for organisations to manage the way information is accessed remotely.

It is therefore, paramount that business critical information is captured and easily accessed to ensure European businesses can retain their knowledge and competitive edge. In fact the European Union is also committed to supporting businesses to manage information more effectively into the future with its Digital Agenda. It is seeking to identify the challenges that lie ahead for businesses in effectively managing critical information into the future. This study further unveils some of those challenges.

The Ricoh Process Efficiency Index is an evolution of the Ricoh Document Governance Index³, which identified how European organisations controlled and managed documents with regards to cost, sustainability and security. Instead it looks deeper into organisations to understand the specific impacts of processing business critical documents.

The term '**business critical document process**' is defined as, the core interactions in an organisation, that occur regularly and repeatedly. They may be document heavy but more importantly they have a direct impact upon businesses interactions with clients and employees, for example, purchase orders, patient records or invoices.

Survey respondents held full responsibility for managing the processing of business critical documents inside their organisations and were employed within: Financial/accounting, sales, HR or payroll, customer or client information, legal, warehouse and supply chain.

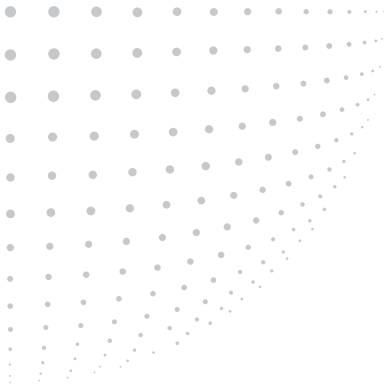
For the purposes of the study the 'document' was defined as information that can be changed, updated, stored and shared and is connected to the knowledge and information inside the organisation.

The research consisted of 458 telephone surveys within large (1000+ employee) organisations, located in Belgium, France, Germany, Italy, The Netherlands, The Nordics (Sweden, Finland, Norway and Denmark), Spain, Switzerland and the UK. The organisations are based within the education, legal, utilities, healthcare, manufacturing and financial services sectors. Qualitative interviews were also completed with European CIOs to gain further commentary about their business critical document processes.

¹ Baby Boomers born between 1946-1964

² Millennials born between 1977-1997

³ Ricoh Document Governance Index, October 2009, Coleman Parkes Research. www.ricoh-europe.com/research



2.0 Executive summary

This study shows that processing business critical documents represents a significant investment for European businesses of approximately €147 billion⁴ per year. Such processes have a major impact upon performance, profitability and an organisation's ability to respond to customer needs. The employees responsible for managing them allocate approximately 362 million hours⁵ of their time per year, across Europe. On average, European organisations are conducting reviews of their existing processes every six months; however the study shows that they are either failing to conduct thorough audits to highlight the bottlenecks, or they are failing to act upon the findings of their audits.

Existing processes across European organisations are unnecessarily labour intensive, prone to error and impacting client services. Surprisingly, an average of 42.5 per cent of all business critical information is still in hard copy format. There is significant room for European businesses to replace the time spent manually processing information, with activities that are adding real-value to the bottom line. Respondents estimated that they could increase profit by €46 billion⁶ in Europe as a result of optimisation.

The outdated processes are currently exposing European organisations to security breaches and business risk by storing business critical documents in hard copy only, without back-up – 36 per cent of respondents admitted to losing important business information in the past. Customer service is affected as employees must comply with time consuming processes rather than focus on meeting their needs. Furthermore, employees are unable to collaborate across divisions, which is likely to result in duplication of efforts and have a direct impact on the productivity of employees who are working remotely.

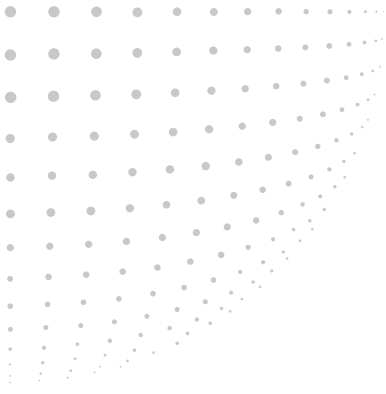
The majority of European businesses said that their primary objectives for improving their processes were better security (67 per cent), increased knowledge sharing (67 per cent) and workforce effectiveness (65 per cent). However, of those that acknowledged there were barriers to improvement, the most common was due to lack of time (45 per cent) and resources (36 per cent). As a result European organisations find themselves trapped in a cycle where they are unable to allocate the appropriate time required to deliver the desired efficiencies for the business.

It is now the time for CIOs to regain control in preparing for the workplace of the future. Reform of critical document management processes offers a huge opportunity to the European business community as it restructures itself to increase competitiveness, maximise employee knowledge sharing and prepare for the future workplace.

⁴ Total number of weekly hours from survey x average weekly rates x weeks per year x number of businesses in each country of 1000+ employees = total staff costs in Europe

⁵ Total number of weekly hours from survey x weeks per year x number of businesses in each country with 1000+ employees = total number of hours in Europe

⁶ Survey estimates applied to average profit level for all companies in Europe of 1000+ employees



3.0 Overview of the key findings

Organisations across Europe are investing approximately €147 billion⁴ per year processing business critical documents

Business critical processes are at the heart of transactions with clients and interactions between employees. The investment figure is focused around the primary functions that are directly managing the processes inside their organisations. It excludes the time spent by employees across other disciplines who will most certainly be managing vital information to support their roles – for example sales and marketing teams.

Employees responsible for managing the business critical document processes across Europe allocate approximately 362 million hours⁵ per year of their working time

Significant time is spent processing business critical documents. However the study shows that those responsible overwhelmingly acknowledge that there is room to increase efficiency.

Process optimisation could contribute to a profit increase of €46 billion⁶ across European organisations

The respondents were asked to consider the impacts of optimising their existing processes. They estimated there could be a five per cent increase in profitability to the bottom line. This would equate to a profit increase of approximately €46 billion⁶ across European organisations.

The top three priorities of improving the business critical document processes are: increasing knowledge sharing (67 per cent), improving security (67 per cent), and workforce effectiveness (65 per cent)

In addition to costs and time, the wider business impacts of an efficient process are recognised by respondents. By focusing upon the top three priorities, businesses will benefit from employee productivity through more efficient ways of working, and better collaboration and information sharing amongst employees. Businesses will also be able to react more quickly to the market and to client needs.

Only 22 per cent of European businesses have a fully automated process to manage business critical documents

European businesses are heavily reliant on manual methods of processing information, are unnecessarily labour intensive and prone to error. An average of 42.5 per cent of all business critical information is held in hard copy only, creating bottlenecks and resulting in time consuming processes across European organisations.

⁴ Total number of weekly hours from survey x average weekly rates x weeks per year x number of businesses in each country of 1000+ employees = total staff costs in Europe

⁵ Total number of weekly hours from survey x weeks per year x number of businesses in each country with 1000+ employees = total number of hours in Europe

⁶ Survey estimates applied to average profit level for all companies in Europe of 1000+ employees



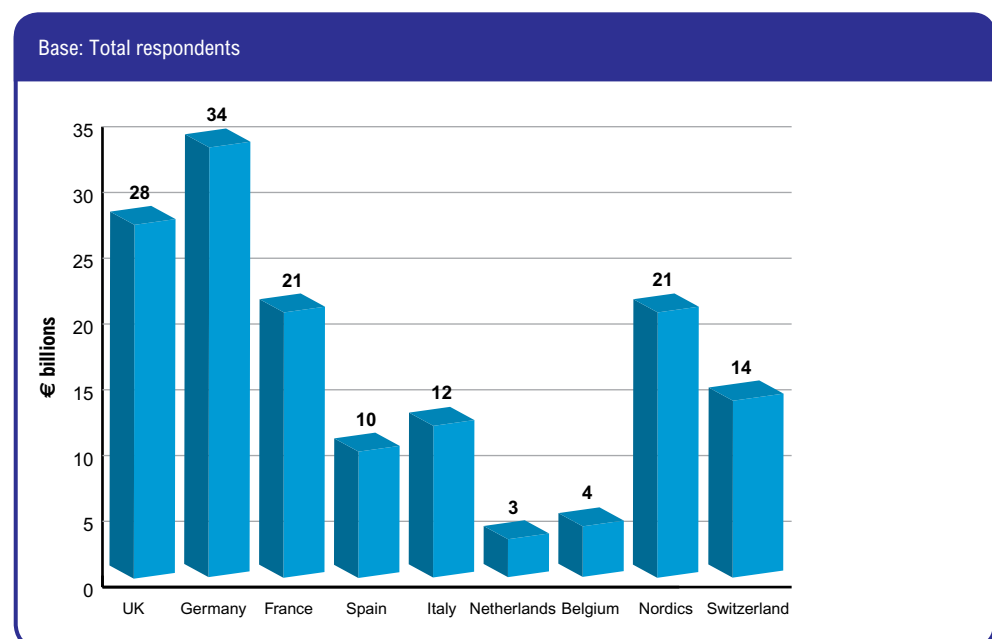
4.0 A fresh insight into the costs of processing business critical documents across Europe

“Some of our professionals spend way too much time on the admin of document processes...Everybody tends to build up their own stores, replicating what other people are doing, duplicating an awful lot of effort and that’s all the way from secretarial staff up...”

CIO, healthcare sector

Processes to manage business critical documents are at the heart of every successful organisation, driving cohesion and collaboration between employees and with customers to enable real time and informed decision making. In fact the study reveals that organisations across Europe are investing a total of approximately €147 billion⁴ per year (Table 1) on these processes. These costs equate to a total of 362 million hours⁵ (or 174,038 years) (Table 2) per year of employee time.

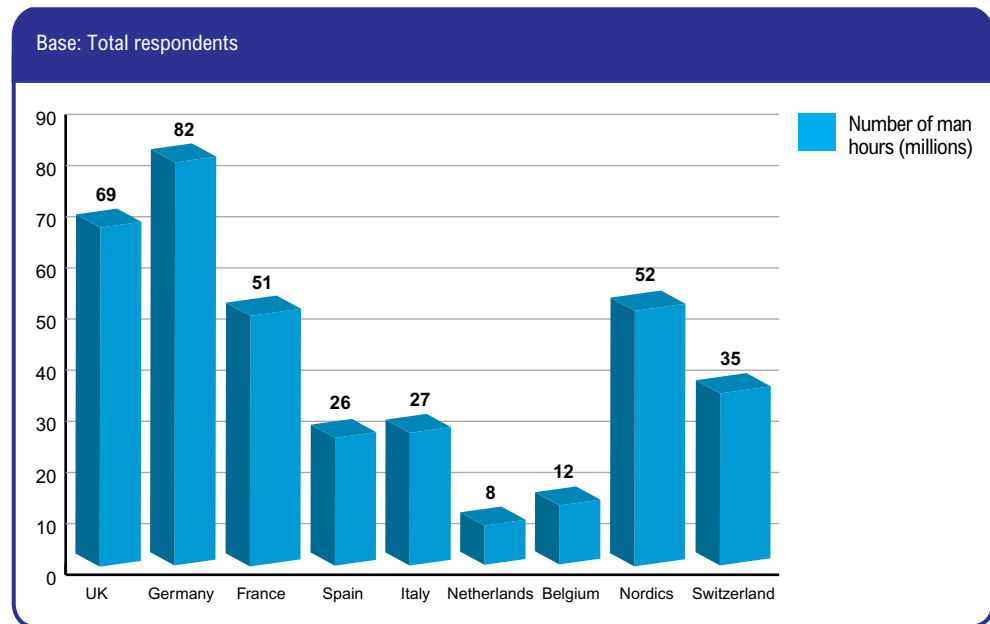
Table 1: Total average business critical document management staff costs, per year, per country⁴



⁴ Total number of weekly hours from survey x average weekly rates x weeks per year x number of businesses in each country of 1000+ employees = total staff costs in Europe

⁵ Total number of weekly hours from survey x weeks per year x number of businesses in each country with 1000+ employees = total number of hours in Europe

Table 2: Total average number of man hours spent managing business critical documents, per year, per country⁵



The costs are based on feedback from employees whose primary role is linked directly to managing the business critical document processes inside their organisations. It does not include the time spent by employees across other disciplines who are managing vital information to support their roles – for example sales and marketing teams.

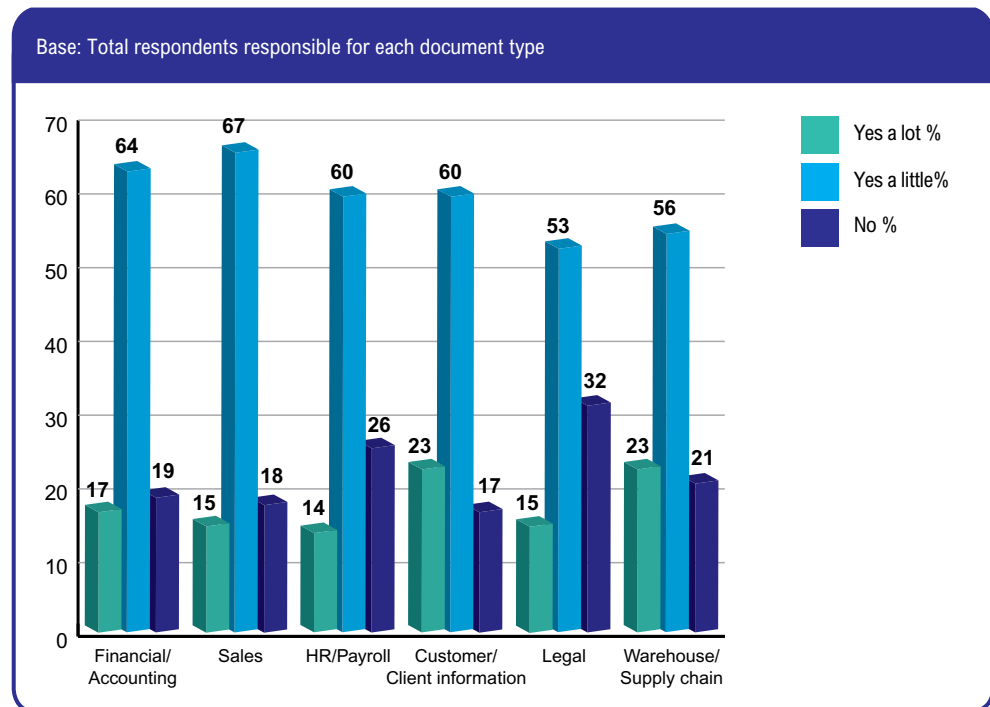
Therefore, while the total estimated cost of €147 billion⁴ per year clearly demonstrates the importance for CIOs to focus on the processes for business critical documents, the actual costs are likely to be much higher.

It is surprising then, that despite the significant time and investment, those responsible overwhelmingly acknowledge that there is room to further increase efficiency (Table 3).

⁴ Total number of weekly hours from survey x average weekly rates x weeks per year x number of businesses in each country of 1000+ employees = total staff costs in Europe

⁵ Total number of weekly hours from survey x weeks per year x number of businesses in each country with 1000+ employees = total number of hours in Europe

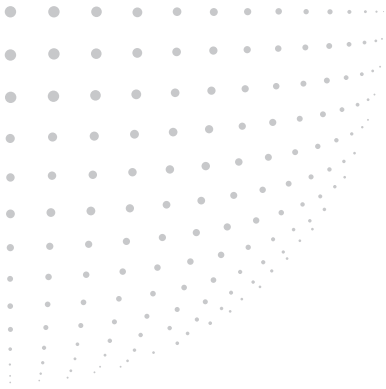
Table 3: Total number of respondents that agree or disagree that the efficiency of their current method of business process management could be improved



All respondents surveyed were asked to estimate what benefit would be delivered to the bottom line if there was just a ten per cent improvement in efficiency. The results based on that modest ten per cent efficiency improvement are still, however, significant, with a reported nine per cent reduction in overall costs associated with business critical document processes and a five per cent increase in profitability. This equates to a profit increase of €46 billion⁶ across European organisations.

The figures show the extent to which European businesses are missing out on opportunities to stay ahead of their competitors. In addition to cost savings, businesses who uncover the benefits of document process transformation will be able to react more quickly to the market and their customers. Furthermore they will create better collaboration between employees and with their customers, while maximising productivity and knowledge sharing.

⁶ Survey estimates applied to average profit level for all companies in Europe of 1000+ employees



5.0 Document processes have far reaching impacts across the business

“..... due to the sheer volume of information that needs to be searched through, it can be very difficult to track down what we’re looking for sometimes – this is another problem for us.”

CIO, finance company

With an insight into the potential costs and savings that can be achieved through optimising the processes for business critical documents, there is little doubt that they are intrinsically linked across the organisation, impacting both internally on employee productivity, and externally on client service.

The study shows that European organisations recognise that well-engineered processes can be central to delivering wider business benefits. The top three reasons for businesses to optimise their processes are (Table 4):

- Improving the security of business critical information (67 per cent)
- Increasing knowledge sharing (67 per cent)
- Improving workforce effectiveness (65 per cent)

Table 4: Key aims and objectives for business critical document management processes





Increasing knowledge sharing and improving workforce effectiveness closely aligns with the need for businesses to adapt to the demands of an increasingly competitive business landscape. These demands include the challenges of managing a mobile and global workforce, preventing information overload, and preparing for a new generation of workers (the millennials²).

Reducing information processing errors, attracting and retaining new customers, and reducing enterprise costs are also a priority for more than 50 per cent of European organisations. These goals closely align with the need to focus on improving the overall flow of business critical data across the business.

Connected to managing the flow of information is the need to protect it. It is therefore no surprise that security is a top priority for European organisations. Interestingly, this is also an area of weakness within European business critical processes. In spite of the technology available, 36 per cent of European organisations admit that either they themselves, or their staff, have lost or misplaced important information with 1 in 12 confessing they still do not have any protection for their business critical documents.

Compliance relating to business critical documents impacts almost every vertical sector and varies in its demands. Whether legislative in nature, like the Sarbanes-Oxley Act of 2002 (which impacts the financial side of corporations and IT departments), or market-specific regulations, compliance is critical.

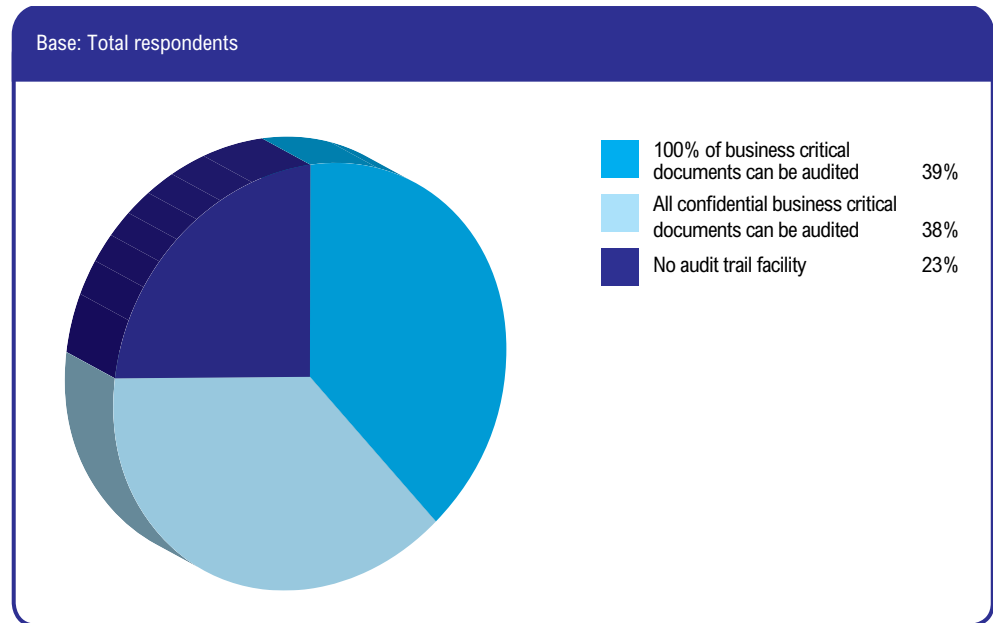
“We work with the FDA (Food & Drug Administration) and EMA (European Medicines Agency) so all the information in our business has got to be really secure – otherwise there would be serious questions about the validity of our data.”

CIO, healthcare sector

Further evidence of security weak spots in European processes are identified in table 5, which shows that only 39 per cent of companies said they had the ability to follow an audit trail for 100 per cent of their business critical documents.

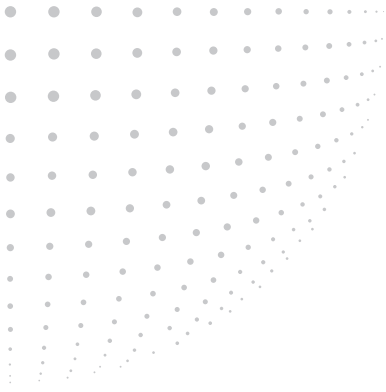
² Millennials born between 1977-1997

Table 5: Ability to conduct an audit trail across business critical documents



In healthcare, a highly regulated industry, 29 per cent of the respondents did not have any audit trail facility at all. They also stated that an average of 107 people per week are accessing medical records and that patient records are accessed up to 571 times per week.

The key to managing the far-reaching impacts of business critical document processes is to ensure that there is a full end-to-end review across the organisation. Reviewing knowledge sharing, productivity and security as isolated components will not glean the optimum improvements inside European businesses. It is essential to look at them together, and review the processes, people and technology in combination. By doing so, European organisations will be able to improve the business critical document processes across the business.



6.0 Existing business processes across Europe are unnecessarily labour intensive

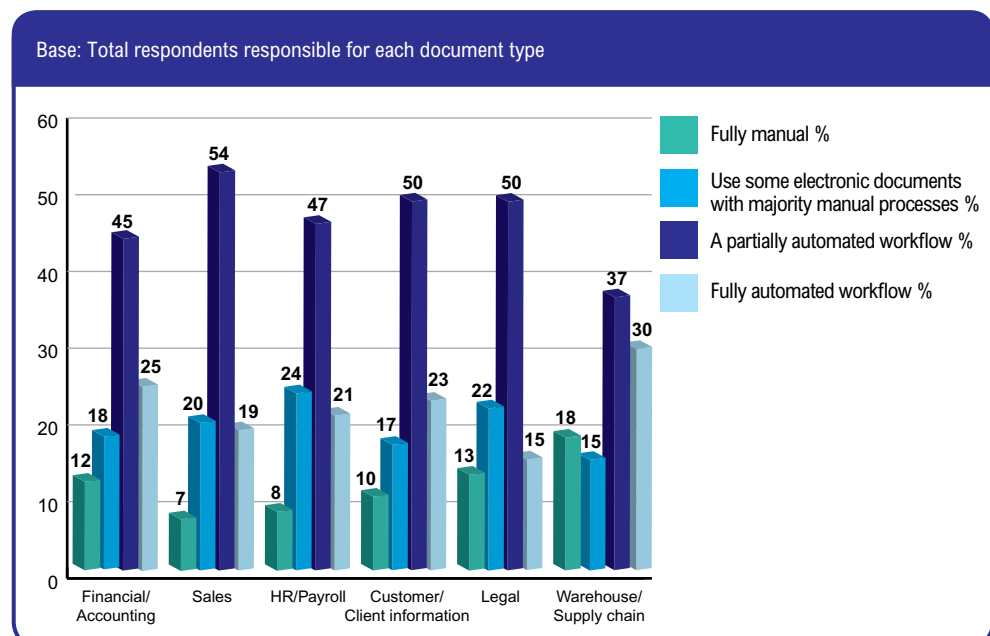
“I think that we are not making as much use of technology as we can – probably far from it.”

CIO, healthcare sector

The research shows that there is still significant room to improve the management of the business critical document processes which lie at the heart of the business. European businesses are heavily reliant on manual methods of processing information.

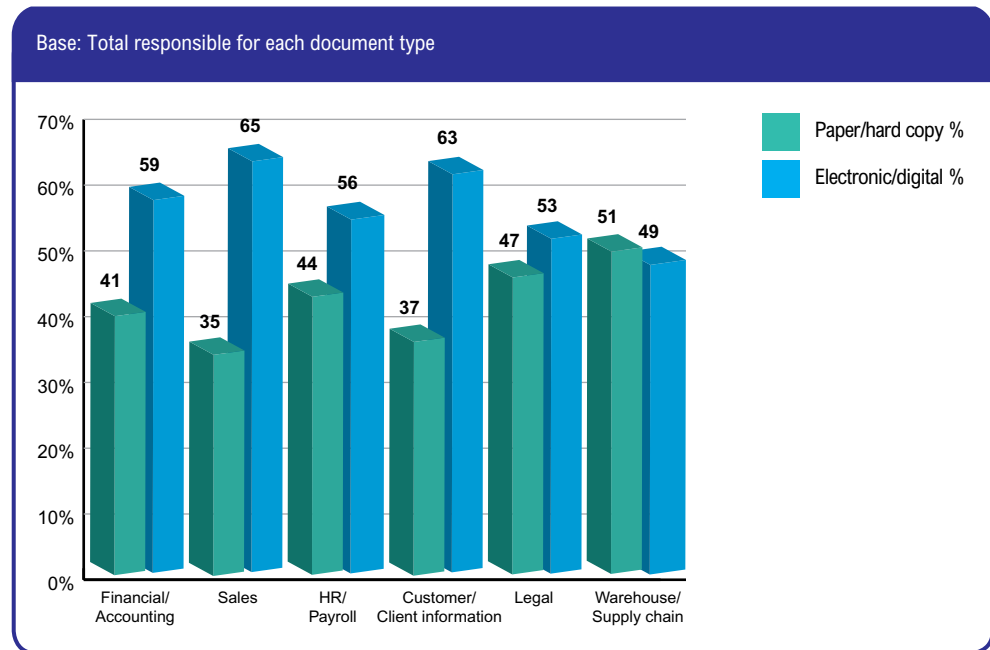
Only 22 per cent of European businesses have a fully automated process for managing business critical information. While on average, a further 20 per cent of European organisations have primarily manual processes (a combination of information held in both electronic and hard copy formats). (Table 6).

Table 6: Nature of the document process



92 per cent of European businesses agree that electronic and digital documents are quite easy to find with 42 per cent describing their searches as “very quick and easy”. However, when referring to hard copy documents, critical to business operations, one quarter of European respondents said it was difficult or slow to find information.

Table 7: Proportion of records and documents in hard copy and electronic formats



This means that the information inside European businesses continues to be heavily reliant on manual processing with an average of 42.5 per cent of all business critical information held in hard copy only (Table 7).

Such outdated processes can have multiple negative impacts on the business. For example, there is an increased risk of security breaches as information is more prone to being lost or misplaced. Business risk is also increased where critical information is stored in hard copy only, without back-up. Customer service is impacted as employees spend an unnecessary length of time processing business transactions, instead of focusing on the core business operations. Furthermore, employees are unable to effectively share information across divisions, creating duplication of efforts and limiting the productivity of employees who are working remotely.

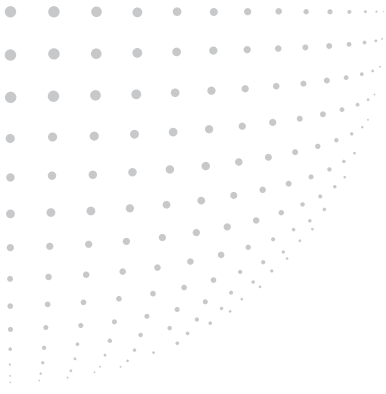
“A key benefit, is that we ensure we have fast access to project records or personnel records, or whatever type of record it might be, from a legal and an HR perspective.”

CIO, manufacturing industry

Interestingly, in spite of the weaknesses identified, the research reveals that companies are regularly reviewing their business critical document processes in an attempt to implement improvements and efficiencies. Only one in ten had not conducted some sort of review of their processes in the last three years. For most, the average was a review every six months.

Therefore the question is raised – why do the processes surrounding business critical documents continue to be so labour intensive? The spotlight must sit firmly within the context of the reviews that are being conducted. The data exposes the fact that European businesses are either failing to conduct thorough audits that are highlighting and analysing the bottlenecks in the business, or they are failing to act upon the findings of their audits. As a result, unnecessarily labour intensive practices remain in place.

A review of business critical processes should be driven by senior management and take an organisation-wide approach. The end goal is to transform processes and maximise the connectivity and relationships between processes, employees, and clients across the whole business. However, it is also crucial that all employees across the organisation are involved in a change management process. A successful business transformation includes training and informing employees each step of the way. This combination of people, processes and technology is the key to true process optimisation.



7.0 CIOs to educate the business and overcome the barriers

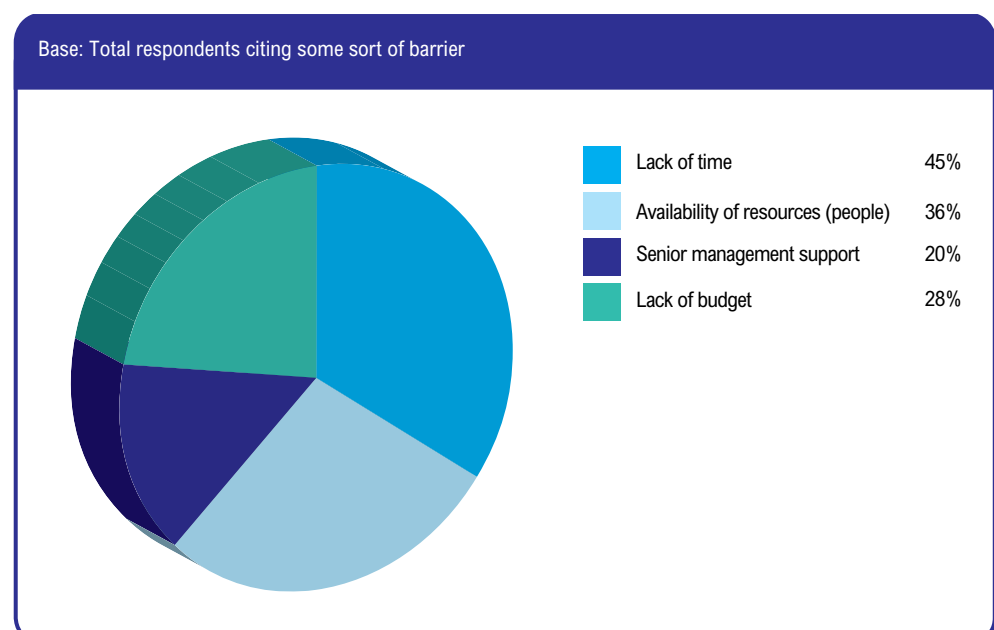
“As a boardroom priority, effective document processes are within the top 5 on the priority list.”

CIO, manufacturing industry

The study poses further interesting insights into why European organisations are missing the opportunity to improve their business critical document processes.

45 per cent of those citing barriers to making further improvements inside their organisations said it was due to lack of time and 36 per cent said it was due to lack of resources. (Table 8). Considering that the key focus of reviewing business critical processes is to save time and increase productivity, it is ironic that organisations are unable to support their existing personnel to enable them to gain their desired efficiencies. Optimisation would free employees from the time consuming manual processes (section 6.0) to focus more on driving business value and meeting client needs. One consideration to combat the barriers is to outsource the review and management of business critical processes to a third party. Organisations can then enjoy the benefits of an optimised workflow and allow their employees to focus on the core business.

Table 8: Key barriers to further optimising business critical processes

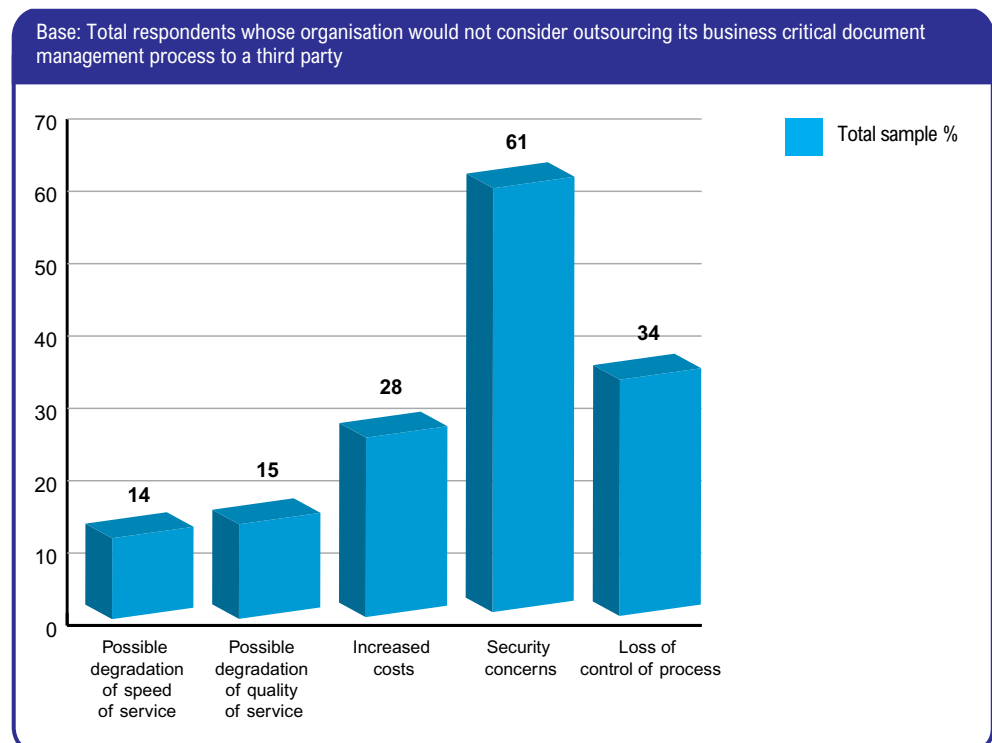




However, only 33 per cent of organisations would, or already have, outsourced their document processes to a third party organisation.

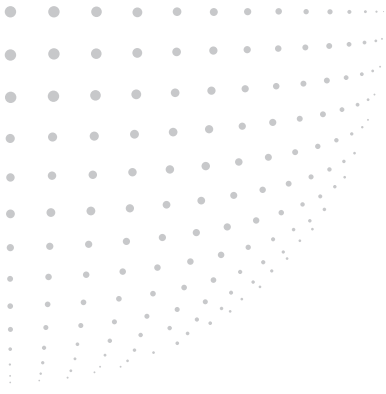
Of those that would not outsource their document heavy processes, 61 per cent said it was due to security concerns and 34 per cent were concerned about loss of control of their processes (Table 9).

Table 9: European organisations reasons for not outsourcing document heavy processes



With security already identified as a main priority for European businesses (Section 5.0), and now as a key obstacle to driving business efficiency, CIOs need to determine how to free the company from being trapped in this cycle. They should further educate the business on the most efficient routes to process optimisation, with security procedures a central consideration for any outsourced activity. Organisations should look for suppliers that have gained the ISO27001 security accreditation. Additionally, businesses can enhance the security of their business critical document processes by moving hard copy data into digital workflows for secure storage and management; implement tools to restrict and protect the distribution and sharing of confidential information; make use of a tracking tool to support auditing and compliance; and provide employees with user authentication to ensure that only authorised people have access to sensitive data.

Such practices will ensure that whether the management of business critical processes is outsourced or managed in-house, European organisations can collaborate and share information with confidence and at the same time gain true process optimisation.



8.0 Conclusion

Business critical document processes are the foundation of any company and it is essential that these are regularly evaluated and improvements are identified and implemented. The Ricoh Process Efficiency Index reveals that business critical document processes are unnecessarily labour intensive and that efficiency improvements are urgently required. The fact that respondents to the study reported that even a ten per cent efficiency improvement in their document processes, could drive a five per cent increase in profitability (€46 billion)⁶ underlines the huge impacts that are being overlooked. These figures are focused upon those employees who are managing a business critical document process as a part of their role.

If CIOs take an organisational-wide view of the processes the profit contributions will be much higher. Process improvements, including the option to outsource are within easy reach of the CIO and will help them to address the inefficiencies of the time consuming processes that exist today and realise the productivity enhancements and profit growth required for the future.

The importance of this is heightened when we consider how the dynamics of the workplace are changing. The Baby Boomers¹ will be leaving and organisations have the challenge of retaining their valuable knowledge; while the millennials², who have a very different view of the workplace, are now joining. Policy will also have a major impact, with issues such as the European Commission's 'Digital Agenda for Europe' making clear statements around the need for improved interoperability and standards for digital documentation across Europe, as well as the critical importance of ensuring that data is secure. The business critical document is at the heart of these challenges.

CIOs need to seize the opportunities that are highlighted in this paper. A properly implemented end-to-end optimisation strategy will not only drive down business costs but will also have a huge impact on workforce collaboration and effectiveness. This includes measuring and analysing how information arrives into the business, what happens to it and how it is used to deliver results. Business critical processes that flow across departments, offices and countries can be re-written to improve competitive advantage. Actions created should address existing working practices and document and information lifecycles, incorporating security at sustainability at their core. They should also focus upon shortening processing times, increasing efficiency and ensuring critical business information can be found quickly and easily. Importantly, the people involved in the processes should be engaged throughout, to ensure they can understand and align with the changes.

The end result is that businesses can be more agile in responding to their customers and market needs, and be ready for the workplace of the future.

¹ Baby Boomers born between 1946-1964

² Millennials born between 1977-1997

⁶ Survey estimates applied to average profit level for all companies in Europe of 1000+ employees

9.0 Further information

Useful links

www.ricoh.se
www.ricoh-europe.com

Case Studies

www.ricoh-europe.com/services-solutions/knowledge-base/customer-case-studies/

Managed Document Services

www.ricoh-europe.com/services-solutions/

Document Outsourcing

www.ricoh-europe.com/services-solutions/document-outsourcing/

Office Solutions

www.ricoh-europe.com/services-solutions/office-workflow-solutions/

IT Services

www.ricoh-europe.com/services-solutions/it-services/

Professional Services

www.ricoh-europe.com/services-solutions/professional-services/

Corporate Production Printing

www.ricoh-europe.com/services-solutions/production-printing/corporate-print/

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About Ricoh

Ricoh Company, Ltd. (Ricoh Company) is a Fortune Global 500 company specialising in technology and services that transform high volume, document intensive business processes into more efficient ones. This is achieved through Ricoh's expertise in Managed Document Services, Production Printing, Office Solutions and IT Services.

By working with Ricoh, businesses can streamline the way they work, become more efficient and profitable, and share knowledge more effectively within their organisations. With a global workforce of 109,014, Ricoh operates in Europe, the Americas, Asia Pacific, China and Japan.

Ricoh Europe Holdings PLC is a public limited company and the EMEA headquarters of Ricoh Company with operations located in London, United Kingdom and Amstelveen, the Netherlands. In the fiscal year ended 31 March 2011, revenues from Ricoh's EMEA operations totalled ¥413.9 billion (approx US\$4.99 billion). Ricoh Company's worldwide sales totalled ¥1,942 billion (approx US\$23.4 billion) during the year ended 31 March 2011.

About Ricoh Sverige

Ricoh Sverige is operating in the field of document and information management and has a national organisation in 26 locations in Sweden, and offers comprehensive solutions for customers' IT environments. Ricoh Sverige has over 650 employees and specialized expertise in IT services and document management for offices and the production print market. The company also has some 40 resellers nationwide. Ricoh Sverige's revenues totalled approximately SEK 1,500 million during the year ended 31 March 2011.