How to Save Money With Records Management

Is your records management program saving you money? It could be!

We created this resource to help you realize savings and efficiencies in three main areas: physical storage space, staff productivity, and corporate risk.

What Kind of Savings Are We Talking About?

Following this guide can have a positive impact on cash flow and revenue generation, through both immediate hard dollar savings and longer-term soft dollar savings. So for example, by freeing up revenue and effort otherwise expended on manual tasks and redundant workflow, an organization can apply those resources to tasks which directly support its "core business" and therefore revenue generation. Effective records management also directly decreases organizational risk: a slightly softer return that is nonetheless critical. The sum total of increased operational output, cost savings and better managed risk – both short term and long term – translates into overall savings and direct ROI for your organization.

1.0 Reducing Cash Outflow: Storage Savings

Reduction of storage costs is one of the most tangible benefits of an effective records management program. Here's what you need to be thinking of:

— **Purging non-record material:** Any attempt to streamline records management practices and improve cost efficiency begins with reducing material that is not subject to actual record keeping requirements. Many organizations find that anywhere from 30% to 70% of on site file storage (both paper and electronic) is occupied by duplicate copies, superseded drafts/versions, and out-of-date reference documents. Such non-record or "transitory" material can usually be disposed of with minimal authorization once its immediate usefulness has passed.

— **Records scheduling & disposition:** Many organizations have a records retention schedule which assigns standard retention periods to categories of records. Your organization's schedule must be based on carefully researched legal and operational needs. Ensure all retention periods in the schedule reflect the minimum time periods necessary to meet all those requirements. Make sure your organization has efficient, effective processes for ensuring that records are securely disposed of once they have satisfied these minimum requirements.

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— **Inactive or near-site storage:** Your organization should use cost-effective off site or near-site storage facilities for records which must be retained but are no longer needed for immediate use. Put life cycle controls and storage service arrangements in place to ensure that offsite or near-site storage savings are not negated by retrieval and re-file costs.

— **In-office filing design:** Are those records needed at the **office stored using equipment and supplies designed to maximize record volume and minimize necessary floor space? By combining such innovations as end tab file folders, color-coded labeling, lateral filing, and mobile shelving, a professionally designed filing solution can improve space utilization by more than 300%. Simply put, this can mean either storing three times as many records using the same floor space, or the same volume of records in only one-third the space.**

These space management techniques serve a twofold objective. First, they use your business needs as a starting point to dramatically reduce the volume of records stored at the office. They then highlight more cost-effective methods for storing those records which are indeed needed on site.

1.1 Calculating Storage Savings

So how do those efficiencies translate into hard dollar savings? The exact dollar amount of savings realized will depend on real estate prices, volume of records and other variables specific to your organization, but certain basic questions can help you make the determination. Accounting for lease costs, taxes, and maintenance fees, how much does the average square foot of office space cost your organization each year? And how many of those square feet can you free up by implementing the space management techniques discussed above? To calculate the annual onsite storage cost savings, multiply the annual costs per square foot by the number of square feet saved.

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Physical storage savings isn't limited to onsite floor space. How much does it cost to store each 1.1 cubic foot box of inactive records at an offsite storage facility each year? This number should take into account the monthly or annual storage fee, ongoing retrieval and re-file charges, and one-time charges for accessioning, de-accessioning, and secure destruction. How many boxes of records were disposed of in accordance with the records retention and disposition controls described above? To calculate the annual offsite storage cost savings, multiply the annual costs per box by the number of boxes disposed of.

With all of these figures at hand, do a before-and-after analysis of all upfront and year-to-year costs. By applying a total space management solution to your organization's records, you should find significant reductions in overall service fees and capital costs.

2.0 Savings Through Improved Business Efficiency: Cash Inflow

By streamlining administrative processes, making information more reliable and speeding up decision making, effective records management also frees up time and resources that could more directly serve an organization's core operations. Improved operational efficiency can mean improved cash inflow for any organization, regardless of its revenue sources.

Begin by comparing your desired outcome with the status quo. Be concrete and realistic in your analysis. Broadly speaking, by what percentage can we decrease the time needed to complete certain workflows? What impact will those reductions mean for the productivity of tasks which generate income or meet organizational mandates? Are there hard dollar values or other quantifiable measures that can describe that impact?

Using industry case studies or data from service providers, apply these broad questions to the real world of records management in your organization. Some specific questions to consider are as follows:

— **By what percentage will the proposed solution decrease the amount of time necessary for staff to create files, classify documents, and re-file content?** What do these reductions mean in terms of reduced staffing costs or resources that can be deployed elsewhere within the corporation?

— **By what percentage will the proposed solution speed up retrieval of information necessary to execute a transaction or make a decision?** In an information-driven business environment, faster information access directly translates into faster operations. What does this improvement mean for your organization's ability to capitalize on available revenue streams?

— **By what percentage will the proposed solution decrease errors during the entry, interpretation and use of data?** What quantifiable impact will this reduction have in terms of resource utilization and actual operational efficiencies?

— **What concrete impact will improved information accessibility and reliability have on the communication and transmission of information, especially where geography is a factor?** For example, are there opportunities to replace expensive mail and courier costs with more automated transmission, or to simply limit distribution on a clear, as-needed basis?

By finding these and other efficiencies for your organization, your records management program could recognize huge savings and cash flow increases by serving more customers, completing more transactions and significantly improving its overall performance.

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3.0 Avoiding Risk, Making Savings

Admittedly, the savings associated with legal and regulatory compliance is often classified as a soft dollar return, partly because the likelihood and impact of threat occurrence can vary across different business contexts. But when threats to legal compliance and operational continuity do in fact occur, their dollar costs can be all too real and immediate. Here are just some of the possible questions to ask in quantifying the ROI associated with risk avoidance:

— **What fines or penalties could your organization incur as a result of failing to maintain records in a secure environment?** Canadian privacy legislation includes fines as high as $100,000 per offence. The Sarbanes-Oxley Act includes fines of up to $5,000,000, to say nothing of the operational and reputational fallout of seeing the company's executives sent to prison. Even statutes and regulations which do not directly reference records can offer severe penalties for insufficient record-keeping, especially in areas such as taxation, environment, and personal safety. An organization might have taken all necessary steps to comply with legal requirements, but without recorded evidence of tasks completed, there is still a high risk of multi-million dollar fines.

— **What would the loss of records mean in the event of litigation or legal disputes?** As direct by-products of the business activities that they support, records are a critical source of evidence of work performed, obligations assumed and requirements met. An organization unable to produce the evidence necessary to defend its position can expect to lose the case and pay a hefty financial price.

— **Missing records can sway a legal case, but what about too much documentation with too little organization?** Without retrieval systems to make sense of boxes and boxes of records, as well as a retention program to legally dispose of records which are no longer necessary, a court case can drag on and on. That means increased legal costs, not to mention increased liability exposure.

— **What can legal sanctions and allegations of non-compliance mean for your organization's operations?** In many sectors, inability to demonstrate compliance, defend against charges or meet audit requirements is enough for regulators to suspend operations or transactions. For a commercial entity, this means lost revenue, decreased consumer confidence and plummeting stock prices, all of which could potentially devastate a company. For a non-profit agency, it can mean an inability to serve its target communities, defeating the very purpose for which the organization was formed in the first place.