IDC
Analyze the Future

It's Worse than You Think:
Poor Document Processes Lead to Significant Business Risk
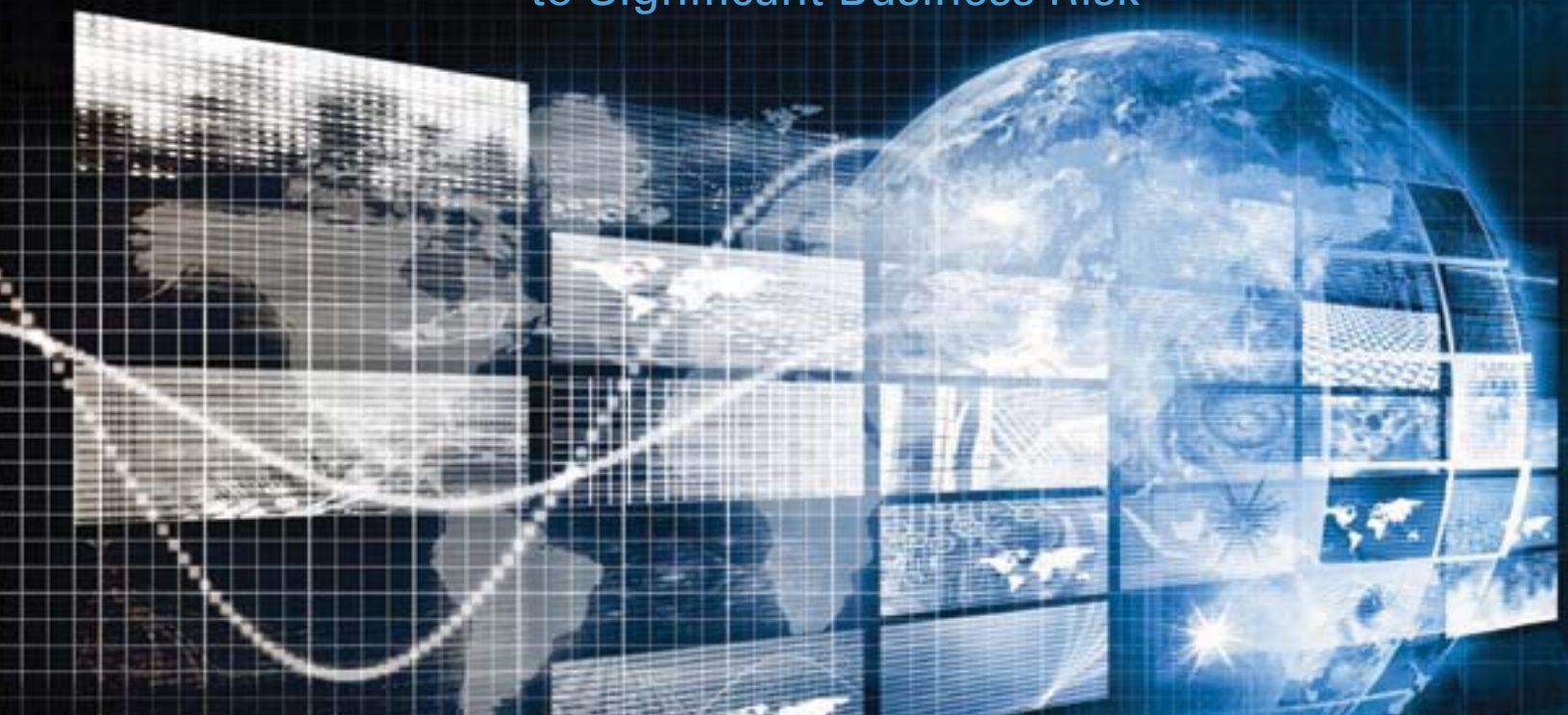
Angèle Boyd // Joseph Pucciarelli // Melissa Webster

Executive Summary

Failures in Document-Driven Business Processes Are Higher Risk and Costlier than Many Executives Think
Many business executives understand that improving their *document-driven business processes*—the processes in their businesses that are governed and controlled by documents in electronic or paper format—can deliver operational efficiencies and drive cost takeout. What many may not appreciate is the degree to which document-driven business processes affect their organization's risk profile: There is a high risk of breakdowns in these processes causing severely negative business outcomes, and the costs of these breakdowns are worse than many executives think.

A recent global IDC study of 1,516 document-driven business process owners and information workers suggests that the costs and risks associated with broken document-driven business processes are extremely high. Process owners reported that over one-third of document-driven business processes are defective, and a staggering 75.9% of respondents—more than three out of every four surveyed—reported that their organization experienced serious business risks and/or compliance issues as a direct result.

Busted Myth: Inefficient or ineffective document-driven processes carry low-impact risks to the business. The sole benefit to improving these processes is to drive down costs.

IDC Finding: 75.9% of companies experienced significant business risks and/or compliance incidents and suffered severe consequences due to broken document processes:
- **36.2% failed to meet compliance requirements**
- **30.2% lost key employees**
- **24.9% lost major customers**
- **24.8% had a major IT breach**
- **20.4% were pulled into a major audit**
- **19.1% suffered a major PR crisis**

Specifically:

- 75.9% of respondents experienced serious business risk and/or compliance issues as a direct result of ineffective document processes over the past five years.

- These failures had severe consequences for respondents: 36.2% failed to meet compliance requirements, 30.2% lost key employees, 24.9% lost major customers, 24.8% had a major IT breach, 20.4% were pulled into a major audit, and 19.1% suffered a major PR crisis — all due to document process deficiencies.

- Depending upon the type of process, between 35.9% and 45.3% of respondents reported that document-driven processes they had personal knowledge of were not efficient or effective.

Businesses around the world devote a tremendous amount of time, money, and attention to mitigating risks associated with *low-probability*/high-impact events. **These risk factors touch on areas of the business such as finance, legal/regulatory, physical environment, and disaster recovery.** This IDC study suggests that not enough attention is being focused on *high-probability events, which are also in many cases delivering high-impact and severely negative consequences to the business.* Many C-level executives don't think of document-driven processes in this category of *high probability/* high impact. Although most businesses invest significant resources to reduce *low-probability*/high-impact risk events,

high-probability/high-impact risks introduced by broken document processes are lurking dangerously below the corporate radar and merit C-level attention.

As significant as these direct consequences can be (see Busted Myth, page 2), the indirect and downstream consequences are even more expensive. IDC estimates that the overall cost of process failure (in terms of staff time and executive oversight for activities such as required rework and process reviews, as well as opportunity costs associated with lost customers) is at least 10 times the direct out-of-pocket costs (such as paying financial settlements).

Essential Guidance

The commonly held belief that document-driven business processes are a "back-office" challenge and that focusing on them can only yield cost reduction paints a woefully incomplete picture of the true challenge confronting organizations. While opportunities for cost improvements exist, these research findings clearly paint a more complex picture. Failures in document processes touch a wide variety of areas. They jeopardize top-line revenue and introduce business and compliance risk.

IDC believes the degree of risk introduced by inefficiencies in document processes remains a significant blind spot for many C-level executives. While there is good understanding of the significance of the issues at the individual process owner level, most C-level executives have delegated this responsibility despite the fact that delegated owners do not have the span of control to fully address the scope of the business process problem.

Specific areas of guidance are as follows:

- **Organizations should accelerate efforts now to improve document-driven business processes.** Inefficiencies and ineffectiveness in document-driven business processes are rampant across industries, geographies, and company sizes. A large percentage of document processes are not working properly, and the costs to the business are significant. Fully three in four companies surveyed experienced significant and costly risk/compliance, customer-facing, or non-customer-facing issues attributable to issues in their document processes.

- **C-level executives should give strong consideration to elevate, sponsor, and participate in document-driven business process investments to address the risks.** Document-driven business process investments should receive higher priority relative to other risk mitigation efforts. Truly addressing the issues in document-driven business processes requires active C-level participation, not just sponsorship. While responsibility for addressing the issue is typically delegated to the VP/director level, fully addressing the full scope of document-driven processes requires the active participation of an executive with the span of control that bridges different organizations. Delegation to subordinates to identify and implement solutions is natural and expected, but decisions must often weigh concerns that are beyond the scope of one department. This has limited the effectiveness of many remediation initiatives. Effecting change requires C-level attention.

- **Businesses should deliberately focus on addressing the underlying issues with deep expertise.** Currently, the most common fixes include leveraging existing staff and investing in new hardware/software solutions, but these approaches address only part of the problem. Technology improvements are good, but applied to broken processes, they only "lock in" the inefficiencies. The effectiveness of internal staff members as change agents can be limited because they are steeped in current business culture and are not necessarily in the best position to make lasting changes to the underlying processes and workflows. What is needed instead is personnel with deep expertise in documents, a strong outside perspective, and the wherewithal to implement the required changes.

Document-driven processes — paper based or electronic — underpin a wide variety of core business functions. Although it is understood that efficient and effective document-driven business processes provide organizations with the opportunity to achieve greater efficiencies in back-office functions, IDC found that deficiencies in document-driven business processes are costing companies in terms of fines, lost customers, lost employees, PR crises, and data breaches — and these issues are occurring much more frequently than is generally appreciated. These are high-likelihood, high-impact business risks that warrant C-level attention.

Busted Myth: Paperless means more efficient.

IDC Finding: Having effective processes depends upon the underlying workflows; the medium is not necessarily the problem. This study found that in companies that are fixing document-driven processes, paper is not necessarily the culprit.

Many processes continue to rely on paper — between 31% and 39% — but respondents selected paper-based processes as some of the most effective and many electronically based processes as the least effective.
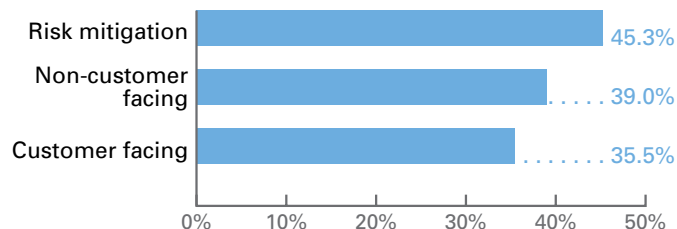
Companies' Document-Driven Business Processes Are Broken

Fully 45.3% of respondents reported that their document-driven processes related to risk mitigation were inefficient or ineffective in this study (see Figure 1). 39.0% of respondents reported that their non-customer-facing document processes were lacking, and just over one-third, 35.5%, reported that customer-facing document processes were inefficient or ineffective. Clearly, respondents recognize the need to improve.

> **"Staff has been lost in recent years, recent months. We're seeing new business come in and can't absorb it as easily as we had, and we're looking through the processes and seeing obvious improvement areas. So that's what we're latching onto now."**
> – VP, STRATEGIC PLANNING, LARGE U.S. INSURANCE FIRM

FIGURE 1: Inefficient and Ineffective Processes Exist Across All Areas of the Business

Q3. Overall, given where you sit in your organization, how efficient and effective do you consider the document-driven business processes you have visibility into or oversight or ownership of to be?
Percentage of respondents who indicated their processes were not/not at all efficient and effective
Base = respondents who indicated involvement in document-driven business processes, n = 1,516
Source: IDC's Document Management Thought Leadership Survey, February 2012

Important Note: See the Appendix for a Complete List and Explanation of Document-Driven Business Processes.

> **"It only takes one mishap to damage a reputation."**
> – VP, MARKETING/PRODUCT MANAGEMENT, GLOBAL FINANCIAL SERVICES FIRM

**Document-Driven Processes Are the Lifeblood of the Enterprise**
A tremendous amount of the information in today's enterprise is captured in documents, including paper documents and documents in electronic formats. Documents are the primary medium through which employees share ideas and information of all kinds — with other employees, customers, suppliers, partners, shareholders, and other stakeholders. Research participants found that over 40% of business activities rely on information captured in documents, spanning customer-facing processes in sales and marketing; non-customer-facing processes in HR, manufacturing, and other back-office operations; and processes that manage risk around business continuity and information security (see Figure 2).

In today's information-driven economy, document-driven business processes drive the enterprise. Across a variety of business functions, each step is driven by information captured in documents, and this information directly shapes business outcomes. This is true in customer-facing activities such as customer onboarding, non-customer-facing processes such as HR processes, and risk mitigation processes such as maintaining business continuity.

> **"I don't think there's a process out there that doesn't have some sort of document or documents attached to it."**
> – VP, GLOBAL IT, LARGE MANUFACTURER, COSMETICS

FIGURE 2: About Half of Business Processes Are Identified as Document Driven

Risk mitigation . . 51.1%
Customer facing . . 50.1%
Non-customer facing 44.2%

0% 10% 20% 30% 40% 50% 60%
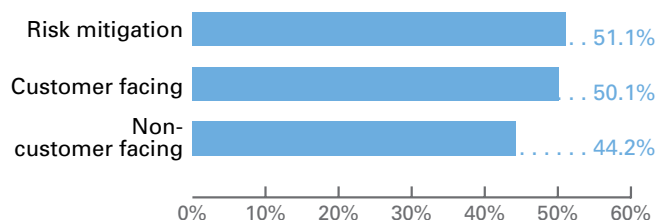
Q11, 18, and 35. Of all the [customer-facing/non-customer-facing/risk mitigation] business processes you have visibility into or oversight of, what percent do you consider to be document driven (i.e., are governed or driven by information captured in documents)? n = 1,516
Source: IDC's Document Management Thought Leadership Survey, February 2012

Failures in Document-Driven Business Processes Introduce Significant Risk

All too often, document-driven processes fail, with downside consequences that are much more widespread than generally appreciated. As our research found, failures and issues in document-driven business processes have led to serious business risk and/or compliance issues in 75.9% — more than three out of four — of the businesses surveyed (see Figure 3).

FIGURE 3: Over Three Out of Four Companies Surveyed Experienced Risk/Compliance Incidents Due to Document Process Failures
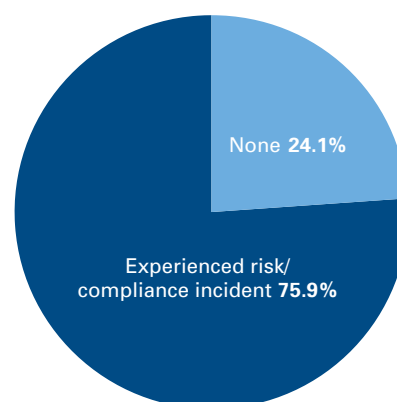
None **24.1%**

Experienced risk/compliance incident **75.9%**

Q37. In your opinion, which, if any, of the following incidents has your organization experienced in the past five years as a direct result of inefficiencies or ineffectiveness in one or more of your document-driven business processes?
Base = respondents who have oversight of or visibility into business processes governing organizational compliance and risk mitigation or management, n = 396
Multiple responses were allowed.
Source: IDC's Document Management Thought Leadership Survey, February 2012

These failures result in significant costs to the business. Regarding compliance and governance, 36.2% of respondents cited failure to meet compliance or regulatory requirements, 24.8% suffered a major IT breach, and 20.4% were pulled into a major audit. In the area of customer loyalty and brand image, 24.9% said they lost major customers as a result of document process failures, and 19.1% were pulled into a PR crisis. And in non-customer-facing functions, 30.2% said key employees had left the organization, 17.3% had paid a financial settlement of at least $50,000, and 15.8% had a lawsuit levied against them (see Figure 4).

> **"The client looked at us and said, 'You guys are idiots. I won't do business with you.' And it was a major client."**
> – DIRECTOR, NEW BUSINESS DEVELOPMENT, NORTH AMERICAN BANK

FIGURE 4: Percentage of Organizations Suffering Severe Consequences Due to Breakdowns in Document-Driven Processes

Failed to meet compliance or regulatory requirements	36.2%
Key employee(s) left the organization	30.2%
Lost one or more major customers	24.9%
Suffered a major IT security breach	24.8%
Got pulled into a major audit	20.4%
Suffered a major PR crisis	19.1%
Paid a financial settlement of $50,000 or more	17.3%
Lawsuit levied against us	15.8%
None of the above/no incidents as a direct result of inefficiencies or ineffectiveness of document-driven processes	24.1%

Q37. In your opinion, which, if any, of the following incidents has your organization experienced in the past five years as a direct result of inefficiencies or ineffectiveness in one or more of your document-driven business processes?
Base = respondents who have oversight of or visibility into business processes governing organizational compliance and risk mitigation or management, n = 396
Multiple responses were allowed.
Source: IDC's Document Management Thought Leadership Survey, February 2012

These findings demonstrate that the costs associated with poor document processes are far greater than commonly believed. Not only is the percentage of companies affected incredibly high — three out of four companies — but the consequences are extensive and significant: loss of customers, loss of key employees, lawsuits, fines, and major audits.

Driving Paper Out of Document-Driven Processes Does Not Necessarily Make Them More Efficient

A high percentage of business processes remain paper driven (see Figure 5). Respondents indicated that 39.0% of non-customer-facing processes, 38.4% of customer-facing processes, and 30.6% of risk mitigation processes are paper based. Further, many processes jump "back and forth" between paper and electronic workflows.

IDC estimates that the overall cost of process failure (in terms of activities such as required rework and opportunity costs associated with lost customers) is at least 10 times the direct out-of-pocket costs such as paying financial settlements, with the indirect costs including staff resources, process reviews, and executive oversight.

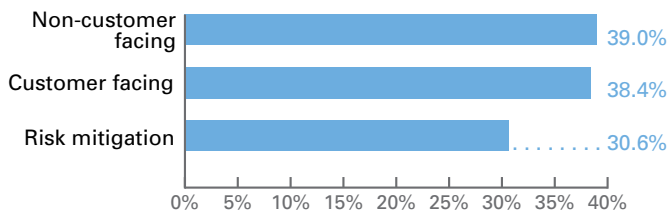**CASE STUDY: BANK LOSES MAJOR CUSTOMER OVER DOCUMENT PROCESS BLOWUP**

During a focus group, a major North American bank described a blowup with one of its Asian clients. Due to deficiencies in its document-driven processes, the bank had applied a U.S. tax policy to the client's Asian operations. According to the participant, "The client looked at us and said, 'You guys are idiots. I won't do business with you.' And it was a major client."

The bank considered this issue so important that it formed a tiger team to reengineer the document-driven processes in question. The team consists of 12 staff members, has operated over a two-year period, and has spent more than $500,000 in out-of-pocket costs. Tellingly, the bank did not feel the need to even perform an ROI analysis; instead, it considered this project to be a strategic imperative to be fixed at any cost. In the words of the participant, "Our management essentially looked at the problem and said, 'If we can't do this right, we're not going to be able to bring on board clients. And if we can't bring on board clients, there's no business.'"

FIGURE 5: Document-Driven Processes Are Still Paper Intensive

Non-customer facing	39.0%
Customer facing	38.4%
Risk mitigation	30.6%

0% 5% 10% 15% 20% 25% 30% 35% 40%

QS9. For each of the document-driven business processes you have visibility into and insight over in your business, what percentage of the documents would you say are paper (as opposed to electronic)?
Base = respondents who indicated involvement in document-driven business processes, n=1,516
Source: IDC's Document Management Thought Leadership Survey, February 2012

Figure 6 compares the percentage of respondents who indicated that their processes were not fully efficient or effective with the percentage those processes depend on paper for the six least efficient processes studied. For these processes, there is actually an inverse correlation between the two measures: The least effective processes are also the least paper based. This exposes the myth that simply driving paper out of processes necessarily makes them more efficient. Rather, the health of the process also depends on deeper-level assessment of workflows and attributes of the process itself. Simply automating a broken process does not automatically fix it, and getting rid of paper alone is not enough to ensure a robust process.

FIGURE 6: Process Inefficiency Not Necessarily Linked to Dependence on Paper

Legend:
— % not fully efficient/effective
— % paper based

X-axis categories:
- Business continuity/risk assessment (n = 133)
- Business monitoring and controls (n = 143)
- Asset management (n = 139)
- Compliance/audits (n = 152)
- Demand planning (n = 133)
- HR (employee onboarding, benefits, dismissals) (n = 142)

Q3. Overall, given where you sit in your organization, how efficient and effective do you consider the document-driven business processes you have visibility into or oversight or ownership of to be?
Percentage of respondents who indicated their processes were not/not at all efficient and effective
*Base = respondents who indicated involvement in document-driven business processes*
QS9. For each of the document-driven business processes you have visibility into and insight over in your business, what percentage of the documents would you say are paper (as opposed to electronic)?
Base = respondents who indicated involvement in document-driven business processes
Source: IDC's Document Management Thought Leadership Survey, February 2012

Investments to Improve Document-Driven Processes Are Hindered by Lack of C-Level Focus

As reflected in the study, businesses do have efforts under way to improve their document-driven processes. Over half of the project owners surveyed said their organizations had budgeted projects to improve the processes for which they were responsible (see Figure 7).

They are also investing a significant amount of money to address these processes, with over $1.3 million budgeted per project for both customer-facing and non-customer-facing processes and just short of $1 million budgeted for risk mitigation processes. But without the appropriate C-level sponsorship, many of these projects are destined to fail.

FIGURE 7: Over Half of Project Owners Have Budgeted Projects to Improve Document-Driven Processes Over the Next 12 Months
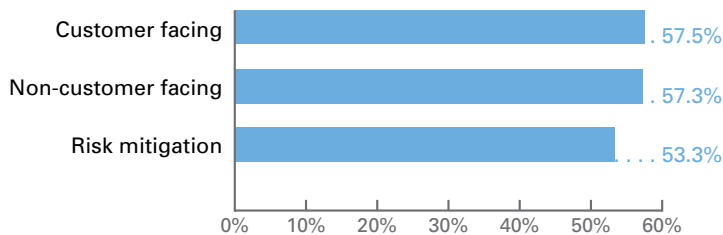
Q5. Does your organization have specific budgeted projects planned in the next 12 months to improve the efficiency or effectiveness of the document-driven business processes you have visibility into or over-sight or ownership of? (% answering "yes"), n = 1,516
Source: IDC's Document Management Thought Leadership Survey, February 2012

## When Delegating Doesn't Work: Business Process Issues Require C-Level Participation

Upon initial review, the degree of recognition of the problem by process owners seems positive. The survey showed that 50% of decision makers for document process improvements are located in the lines of business (with the other half in IT or finance), meaning this is not an issue that the business is simply relegating to IT and forgetting about. It is receiving the appropriate attention from business management.

The problem is the level in the organization at which ownership of this issue resides (see Figure 8). C-level executives are not taking ownership of this issue and instead have delegated it to subordinates: Most of the owners of this issue are at the VP/director or manager level, and only 20% are at the C-level.

Busted Myth: Responsibility for document-driven processes should be delegated underneath the C-level.

IDC Finding: Many document-driven processes are cross-organizational, and without active C-level participation, efforts to improve have a strong likelihood of failing.

FIGURE 8: Responsibility Is Delegated Beneath the C-Level
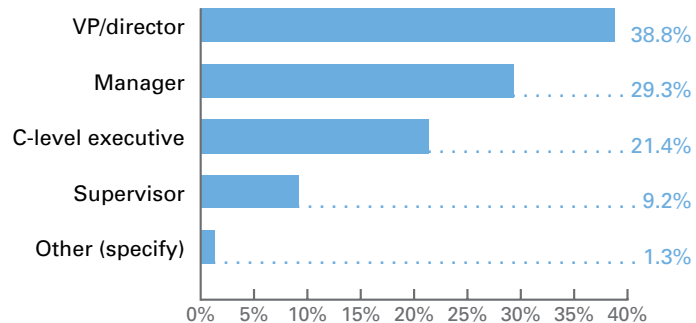
Q9. What do you think is the level of management that would be the most appropriate champion (rather than the approver) for improvements to document-driven business processes?
n = 1,516
Source: IDC's Document Management Thought Leadership Survey, February 2012

IDC believes the risk associated with document processes is a blind spot for many C-level executives. They may believe they have addressed the issue by delegating it to subordinates, but, in reality, the decision to delegate reinforces problems caused by lack of interdepartmental cooperation. C-level focus is required to provide the appropriate span of control and organizational clout. Many processes are cross-functional by nature, and individual department owners aren't in a position or don't have the authority to address these cross-departmental issues. Delegation to subordinates to identify and implement solutions is natural and expected, but then it must come back up to the C-level for championing and rollout across the breadth of the organization.

Current Investments Are Addressing Only Part of the Solution

Most of the investments organizations are making to reengineer document processes involve using internal staff and making new investments in hardware, software, and networking (see Figure 9); however, IDC believes that these investments go only part of the way toward the complete solution. Investing in tools and technology is clearly an important enabler to improving document processes, but addressing the underlying issues requires a deep focus and understanding of horizontal and vertical processes; you can't just expect a new piece of equipment to fix the problem. Further, while investments in existing staff are also clearly important, improving document processes often requires change to existing workflows, responsibilities, and even business culture. Because internal staff members are already rooted in the existing business culture, they are often unable to introduce lasting behavioral changes into the rest of the organization.

Busted Myth: Fixing document-driven business processes is best left to existing staff or new hardware/software investments.

IDC Finding: Reengineering processes requires deep expertise and outside perspective, while simply adding hardware to a broken process can serve to simply "lock in" inefficiencies.

FIGURE 9: Improvement Activities Center on Internal Staff, IT Investments
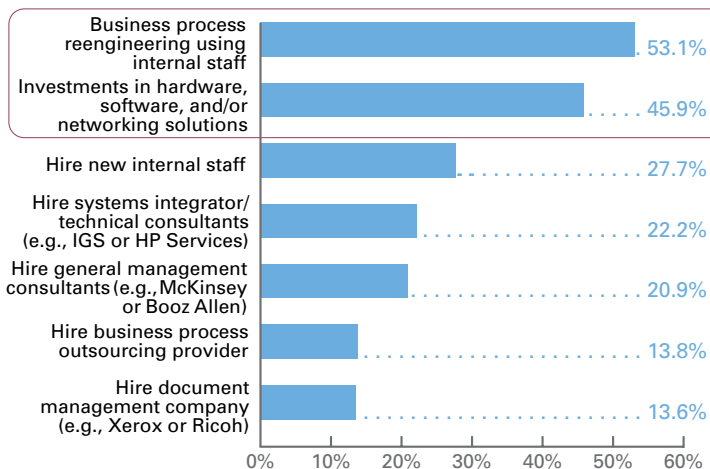
Q7. What sort of activities does your organization have budgeted?
Base = respondents who indicated organization has budget planned in the next 12 months for document-driven business processes, n = 1,516
Figures are average across all business processes tested.
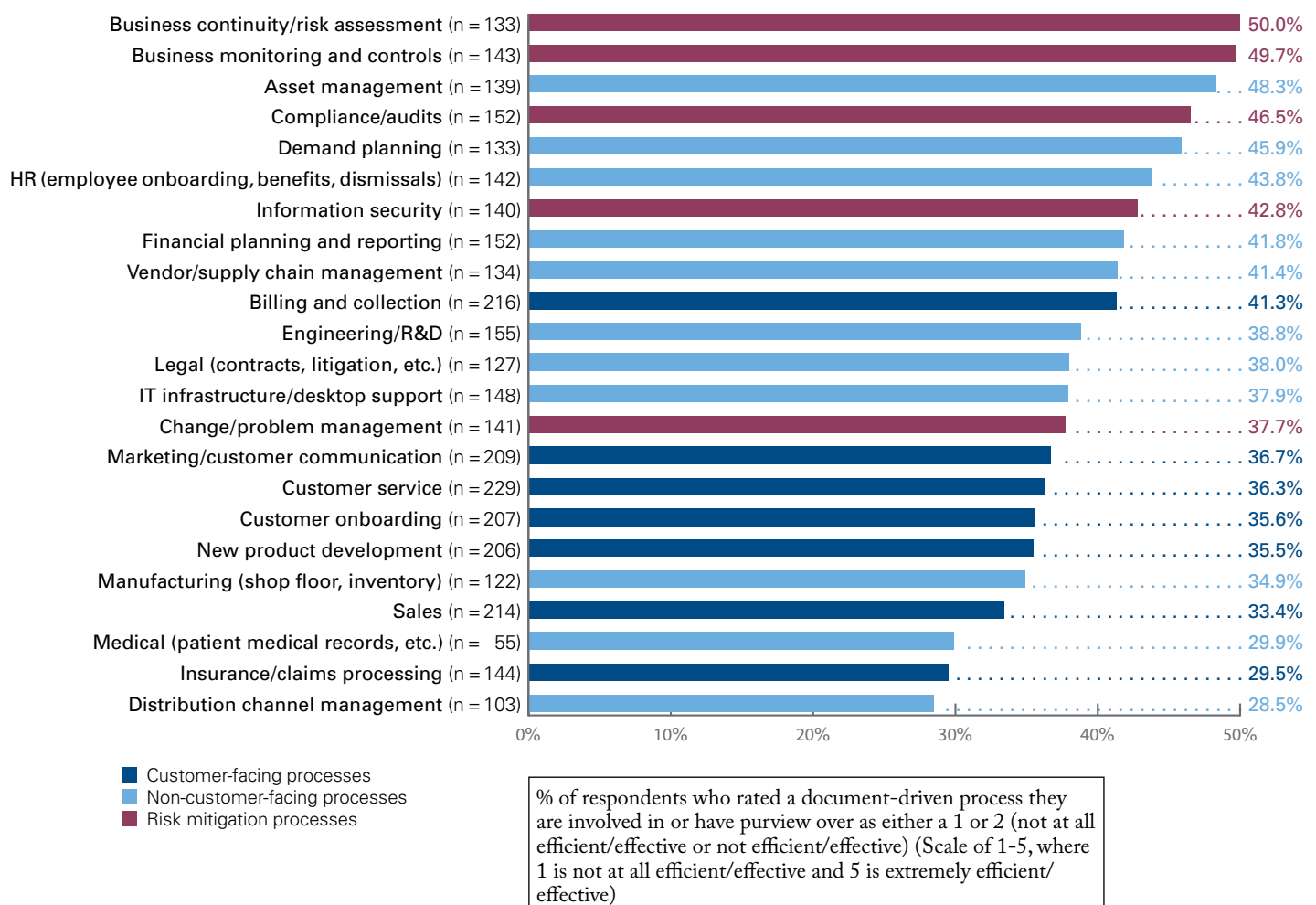*Source: IDC's Document Management Thought Leadership Survey, February 2012*

Document-Driven Processes Governing Risk Mitigation Are Identified as Among Those Most in Need of Assistance

Figure 10 shows the 23 document-driven processes covered in this study and the degree to which survey respondents who are involved in or have oversight of these processes rated them inefficient or ineffective; that is, the processes at the top of the list are those most in need of assistance. Tellingly, three of the four least efficient/ effective document-driven processes are associated with risk mitigation: business continuity/risk assessment, business monitoring and controls, and compliance/audit processes. In other words, the processes involved in each of these functions that are driven or governed by documents are among the most broken of the document-driven processes identified in this study. By contrast, customer-facing processes such as insurance/claims processing, sales, and new product development were rated some of the least broken. (Note that respondents were asked only about processes they had direct ownership of or insight into.)

Since breakdowns in risk mitigation processes such as business continuity and business monitoring and controls can introduce significant elements of risk, the fact that these processes (despite being highly scrutinized processes within most organizations) were still rated among the least effective speaks to the urgency of addressing inefficiencies in document-driven processes. In fact, document-driven risk mitigation processes would be a good place to start for many organizations looking to overhaul their document-driven processes.

FIGURE 10: Least Effective Processes Center on Risk Mitigation

Process	%
Business continuity/risk assessment (n = 133)	50.0%
Business monitoring and controls (n = 143)	49.7%
Asset management (n = 139)	48.3%
Compliance/audits (n = 152)	46.5%
Demand planning (n = 133)	45.9%
HR (employee onboarding, benefits, dismissals) (n = 142)	43.8%
Information security (n = 140)	42.8%
Financial planning and reporting (n = 152)	41.8%
Vendor/supply chain management (n = 134)	41.4%
Billing and collection (n = 216)	41.3%
Engineering/R&D (n = 155)	38.8%
Legal (contracts, litigation, etc.) (n = 127)	38.0%
IT infrastructure/desktop support (n = 148)	37.9%
Change/problem management (n = 141)	37.7%
Marketing/customer communication (n = 209)	36.7%
Customer service (n = 229)	36.3%
Customer onboarding (n = 207)	35.6%
New product development (n = 206)	35.5%
Manufacturing (shop floor, inventory) (n = 122)	34.9%
Sales (n = 214)	33.4%
Medical (patient medical records, etc.) (n = 55)	29.9%
Insurance/claims processing (n = 144)	29.5%
Distribution channel management (n = 103)	28.5%

- Customer-facing processes
- Non-customer-facing processes
- Risk mitigation processes

% of respondents who rated a document-driven process they are involved in or have purview over as either a 1 or 2 (not at all efficient/effective or not efficient/effective) (Scale of 1-5, where 1 is not at all efficient/effective and 5 is extremely efficient/effective)
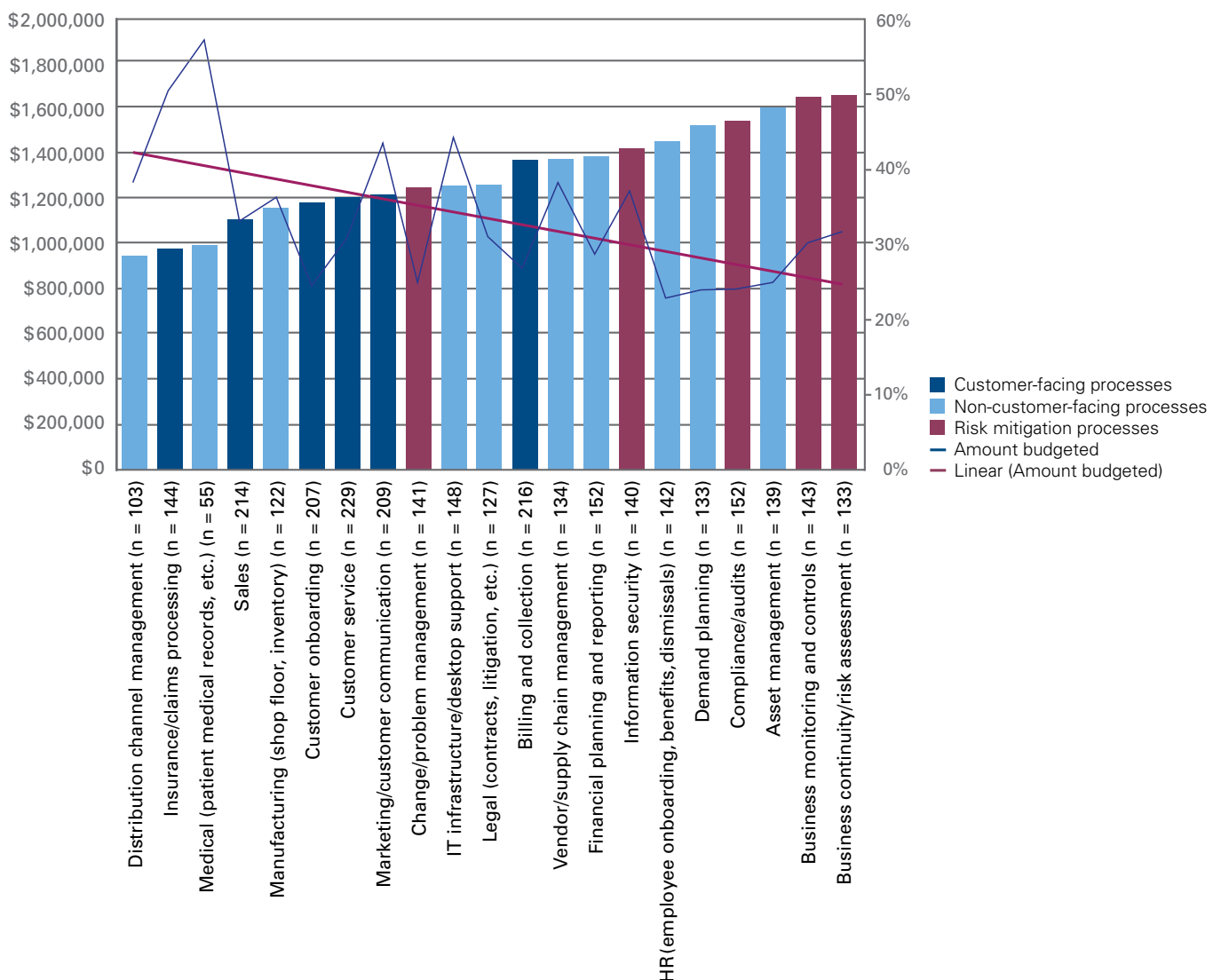
Q3. Overall, given where you sit in your organization, how efficient and effective do you consider the document-driven business processes you have visibility into or oversight or ownership of to be? Percentage of respondents who indicated their processes were not/not at all efficient and effective
Base = respondents who indicated involvement in document-driven business processes
Source: IDC's Document Management Thought Leadership Survey, February 2012

Unfortunately, companies are generally budgeting an amount to address deficiencies in document processes that is the inverse of the degree to which processes require assistance (see Figure 11). In general, the more deficient the processes are, the less organizations are investing to improve them. This is true for the three "risk mitigation" document-driven processes identified as being among the least effective: business continuity/risk assessment, business monitoring and controls, and compliance/audits. So even though risk mitigation and other ineffective processes are receiving some investment, they are getting less than other processes despite the fact that they are the least efficient and effective — and arguably should be receiving a large degree of attention.

FIGURE 11: Inverse Correlation Between Process Deficiency and Amount Budgeted

Q3. Overall, given where you sit in your organization, how efficient and effective do you consider the document-driven business processes you have visibility into or oversight or ownership of to be? Percentage of respondents who indicated their processes were not/not at all efficient and effective
Base = respondents who indicated involvement in document-driven business processes
Q6. How much does your organization have budgeted to improve the efficiency or effectiveness of these document-driven business processes? (asked for each process; average amount budgeted)
Outlier processes were excluded from the analysis.
*Source: IDC's Document Management Thought Leadership Survey, February 2012*

Risks Are Pervasive Across Geographic Regions, Industries, and Company Sizes

Inefficiencies and ineffectiveness in document-driven business processes are felt across all geographic regions, industries, and company sizes. Analyzing the survey data by geography, we noted that serious business risk and compliance incidents occurred at roughly equal rates in organizations in North America, Europe, and Asia, with the highest rates found in Asia (see Figure 12).

Busted Myth: The risk introduced by broken document-driven business processes will vary by geography or industry.

IDC Finding: There is a remarkable degree of consistency in the (high) degree of risk brought about by broken document-driven processes across geographies and industries.

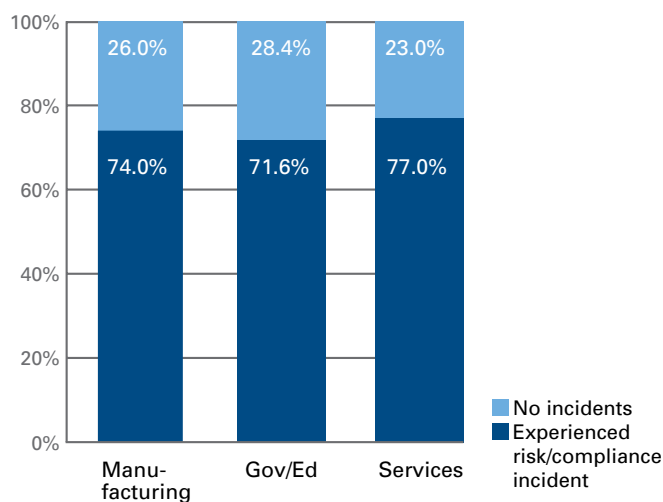**FIGURE 12:** Document-Driven Risk/Compliance Incidents Rate High Across Geographies
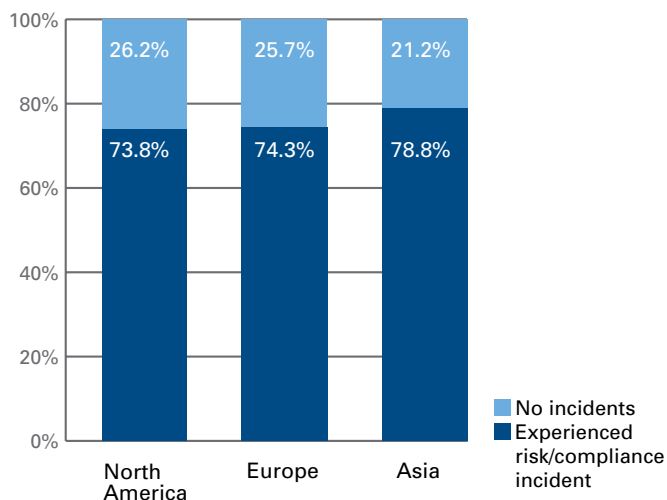
Q37. In your opinion, which, if any, of the following incidents has your organization experienced in the past five years as a direct result of inefficiencies or ineffectiveness in one or more of your document-driven business processes?
Base = respondents who have oversight of or visibility into business processes governing organizational compliance and risk mitigation or management, n = 396
Source: IDC's Document Management Thought Leadership Survey, February 2012

Looking at the type of incidents by geography, we noticed some differences (see Figure 13). Asian respondents, led by China, were more likely overall to have experienced a serious risk/compliance incident due to failures in document processes, and they were much more likely to have lost a major customer or suffered an IT security breach. They were also somewhat more likely to have paid a financial settlement. North American respondents were more likely to have failed to meet regulatory requirements, and Europeans were more likely to have been drawn into an audit.

FIGURE 13: Specific Risk/Compliance Incidents by Geography (Select Responses)
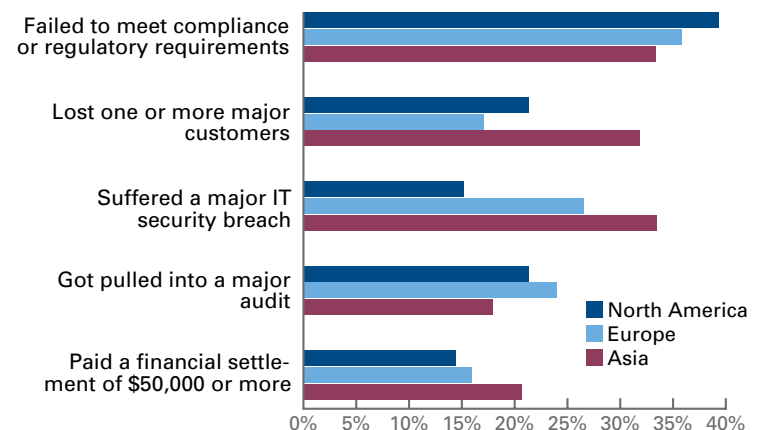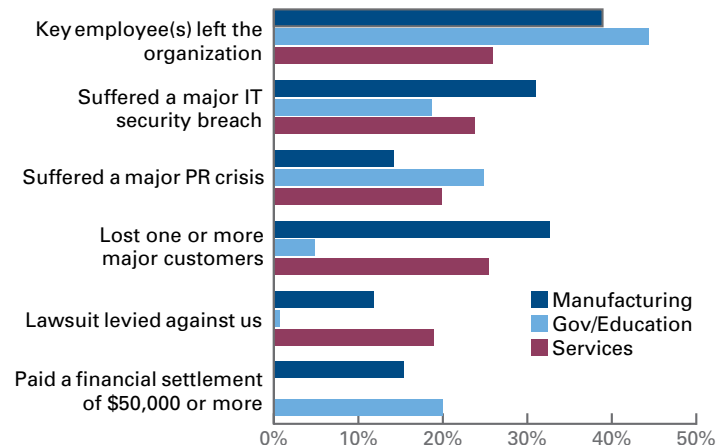

Q37. In your opinion, which, if any, of the following incidents has your organization experienced in the past five years as a direct result of inefficiencies or ineffectiveness in one or more of your document-driven business processes?
Base = respondents who have oversight of or visibility into business processes governing organizational compliance and risk mitigation or management, n = 396
Source: IDC's Document Management Thought Leadership Survey, February 2012

Chinese respondents were also more likely to take document process issues seriously, probably as a consequence of having been negatively impacted by issues in the past. 71.6% of Chinese respondents gave it greater importance than other IT investments, compared with 42.4% for the total. They also are spending more to fix processes in key areas: 84.9% of Chinese respondents have projects budgeted to improve risk mitigation, compared with 58.2% for the total, and 87.5% have budgeted projects to improve new product development processes, compared with 58.4% for the total.

Companies that depend on Chinese suppliers and business partners would do well to make sure that these partners are focusing on ensuring best practices in their document processes. As many organizations in China have grown quickly, it is understandable that they have struggled with evolving their business processes to keep pace. The good news is that more of these organizations are now taking the issue seriously.

Serious risk and compliance incidents were also blamed on ineffective document processes in all industries studied (see Figure 14). 71.6% of government and educational institutions, 74.0% of manufacturing firms, and 77.0% of services companies have experienced significant incidents.

FIGURE 14: Risk/Compliance Incidents Affect Organizations Across All Vertical Industries

Examining the types of incidents reported, we noticed some significant differences between industries (see Figure 15). Not surprisingly, respondents in government/education had very low reported rates of lost customers, lawsuits, and financial settlements, but they had higher-than-average reported rates of key employees leaving the organization and suffering from PR crises. Manufacturing industries had high reported rates of lost customers, lost employees, and IT security breaches, while services firms were more likely than manufacturing firms to have been brought into a lawsuit or suffered a PR crisis.
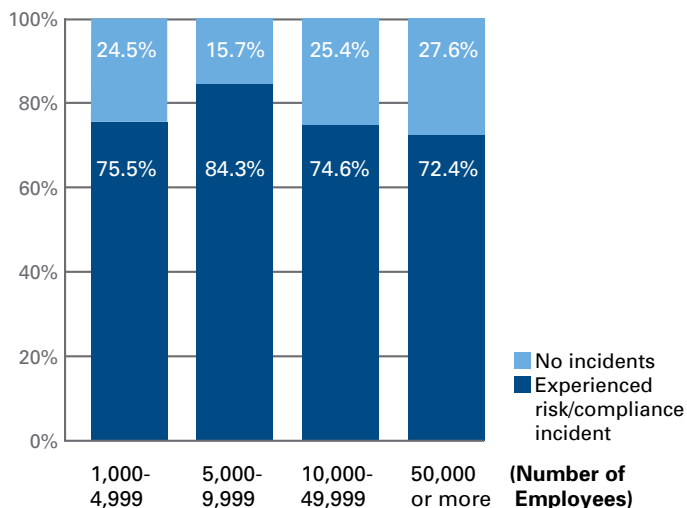
FIGURE 15: Specific Risk/Compliance Incidents by Industry Vertical (Select Responses)

Organizations of all sizes were also highly likely to have experienced significant risk/compliance incidents (see Figure 16), although there was a somewhat higher rate reported among companies with between 5,000 employees and 9,999 employees. There were no significant differences observed in the types of incidents by organization size.

FIGURE 16: Organizations of All Sizes Are at Risk of Document-Driven Risk/Compliance Incidents

Legend:
- No incidents
- Experienced risk/compliance incident

Number of Employees	Experienced risk/compliance incident	No incidents
1,000-4,999	75.5%	24.5%
5,000-9,999	84.3%	15.7%
10,000-49,999	74.6%	25.4%
50,000 or more	72.4%	27.6%

Q37. In your opinion, which, if any, of the following incidents has your organization experienced in the past five years as a direct result of inefficiencies or ineffectiveness in one or more of your document-driven business processes?
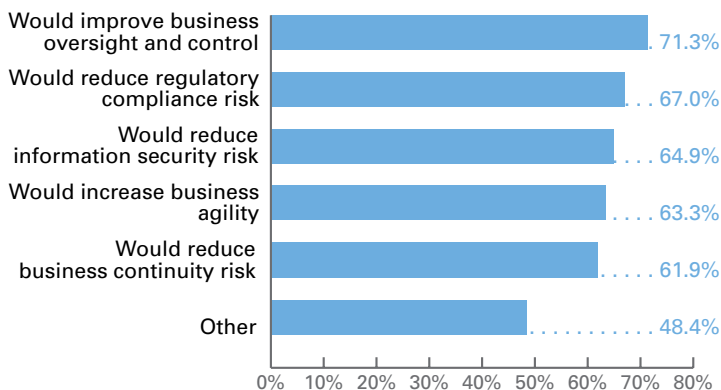*Base = respondents who have oversight of or visibility into business processes governing organizational compliance and risk mitigation or management, n = 396*
Source: IDC's Document Management Thought Leadership Survey, February 2012

Addressing Issues in Document Processes Can Significantly Reduce Risk

The good news is that there is significant upside to reducing risk by fixing issues in document processes. 71.3% of respondents said improving their processes would improve business oversight and control, while 67.0% said it would reduce regulatory compliance risk. In fact, well over half of all survey respondents said improving processes would have an impact across a broad range of risk mitigation and management areas (see Figure 17).

FIGURE 17: Improving Document Processes Would Have Broad Risk Mitigation/Management Benefits

Would improve business oversight and control	71.3%
Would reduce regulatory compliance risk	67.0%
Would reduce information security risk	64.9%
Would increase business agility	63.3%
Would reduce business continuity risk	61.9%
Other	48.4%

Q39. If you could wave a magic wand and fix all the issues in effectiveness and efficiency in your document-driven business processes governing organizational compliance and risk mitigation/management, what would be the effect on your organization's business risk? Base = respondents who have oversight of or visibility into business processes governing organizational compliance and risk mitigation or management, n = 406
Source: IDC's Document Management Thought Leadership Survey, February 2012

Appendix

IDC Study Methodology

The information for this white paper came from two focus groups of U.S. executives, plus a global survey, all of which were conducted between 4Q11 and 1Q12. One focus group consisted of line-of-business executives, and the other consisted of IT and finance executives. The individuals in both groups had oversight of or control over a variety of document-driven business processes for their organizations. Respondents were drawn from organizations with over $1 billion in revenue and from a range of industries. Representative titles included VP Strategic Planning, VP Sales, General Manager, VP Global Marketing, Chief Security Officer, VP Global Resources, Senior VP Technology Planning, VP Global IT, Corporate VP Finance Technology, and VP/Treasurer.

IDC then surveyed 1,516 process owners and information workers from IT, finance, and line-of-business management from organizations of over 500 employees. These individuals all had responsibility for business processes that required multiple documents. Respondents were randomly recruited and screened from international panels and came from eight countries: the United States, Canada, the United Kingdom, France, Germany, Australia, China, and Japan. Global data was derived by weighting the survey by country GDP. The survey was conducted over the Internet and administered in the local language.

Respondents were asked about priorities, issues, and investments across 23 separate business processes: customer onboarding, sales, new product development, customer service, marketing/customer communication, insurance/claims processing, billing and collection, HR (employee onboarding, benefits, dismissals), demand planning, manufacturing (shop floor, inventory), distribution channel management, vendor/supply chain management, engineering/R&D, legal (contracts, litigation), medical (patient medical records), IT infrastructure/desktop support, financial planning and reporting, asset management, business continuity/risk assessment, compliance/audits, change/problem management, business monitoring and controls, and information security. Data was gathered both at the individual process level and in three higher-level rollups: customer-facing, non-customer-facing, and risk mitigation processes.

Definitions

The following definitions were used for this study:

- **Document-driven business processes** are performed by one or more groups within the organization and are governed or driven by information captured in documents. Documents can be paper (printed, scanned, or entirely paper based) or electronic, or they can migrate between paper and electronic during the end-to-end life cycle of the business process. The term is also shortened to "document-driven processes" or "document processes" in places.

- **Customer-facing business processes** govern customer-facing activities including sales, customer onboarding, customer communications, customer service and support, billing and collections, and new product development.

- **Non-customer-facing business processes** govern non-customer-facing activities including employee onboarding, demand planning, manufacturing, purchasing and vendor management, desktop support, business continuity, audits, and financial controls.

- **Compliance and risk mitigation or management processes** cover activities including business continuity, compliance, auditing, customer due diligence, change/problem management, risk assessment, remote business monitoring, and information security.

Participant Screeners

The following screening questions were applied to target respondents:

S6. Are you involved in, or do you have oversight of, any document-driven business processes for your organization? (Examples might include sales order processing, customer onboarding, customer communications or correspondence, customer service and support, billing and collections, and new product development.)

S7. Which of the following document-driven business processes are you involved in or do you have oversight of? [Check all that apply]

Dark Blue = Customer-Facing Processes
Blue = Non-Customer-Facing Processes
Red = Risk Mitigation Processes

a.   **Customer onboarding**
b.   **Sales**
c.   **New product development**
d.   **Customer service**
e.   **Marketing/customer communication**
f.   **Insurance/claims processing**
g.   **Billing and collection**
h.   **HR (employee onboarding, benefits, dismissals)**
i.   **Demand planning**
j.   **Manufacturing (shop floor, inventory)**
k.   **Distribution channel management**
l.   **Vendor/supply chain management**
m.   **Engineering/R&D**
n.   **Legal (contracts, litigation, etc.)**
o.   **Medical (patient medical records, etc.)**
p.   **IT infrastructure/desktop support**
q.   **Financial planning and reporting**
r.   **Asset management**
s.   **Business continuity/risk assessment**
t.   **Compliance/audits**
u.   **Change/problem management**
v.   **Business monitoring and controls**
w.   **Information security**

S8. Are you responsible for owning/implementing/managing any of these document-driven business processes?

S9. For each of the document-driven business processes you have visibility into and insight over in your business, what percentage of the documents would you say are paper (as opposed to electronic)?

About the Authors

Angèle Boyd — Group VP, General Manager, Imaging/ Output Document Solutions & SMB. Angèle is responsible for IDC's worldwide research practice in the areas of imaging, output, and document solutions (printing, scanning, business-critical document workflows, and managed print/document services). She is also responsible for IDC's U.S. small/medium-sized business research spanning the IT industry. She has conducted research and consulting at IDC since 1986. During this time, she has been recognized as a Chairman's Achiever, and she has received the company's award for research excellence, the James Peacock Award.

Joseph Pucciarelli — Program Director, Technology Financing & Executive Strategies. Joseph provides wide-ranging research on IT leasing and financing strategies for both providers and IT organizations; IT organization management practices such as chargeback, funding strategies, and capital allocation strategies; and IT organization financial practices such as equipment and software capitalization guidelines, vendor management, and on-demand contract management. He provides research coverage for leading IT financing providers such as CIT, HP Financial Services, GE Capital, IBM Global Financing, and Oracle Financing Division, as well as supporting financing program pricing, residual risk management, and distribution strategy analysis.

Melissa Webster — Program Vice President, Content and Digital Media Technologies. Melissa leads IDC's Content and Digital Media Technologies research program. This program tracks, analyzes, and forecasts markets and trends in document and content management, records management, Web content management, digital asset management, and document and rich media (audio, video) authoring and publishing software. She has more than 20 years of experience in the software industry with enterprise software vendors and Internet companies ranging from the Fortune 500 to venture-backed start-ups and has held senior management positions in marketing, business development, and product development at Oracle, Information Builders, Object Design, and RetailExchange, among others.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,000 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For more than 48 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company. You can learn more about IDC by visiting www.idc.com.

IDC Corporate Headquarters
5 Speen Street
Framingham, MA 01701 USA
Tel: +1 508.872.8200
www.idc.com