



A Guide to Enterprise Content Management

What every C-level

executive needs to know

A White Paper

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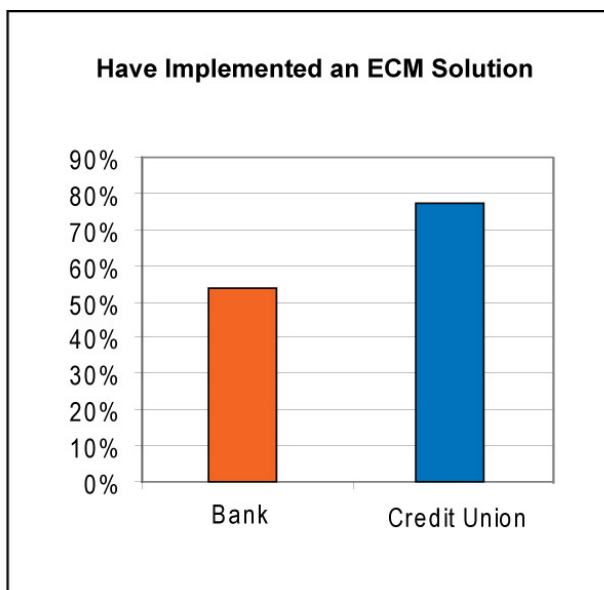
A GUIDE TO ENTERPRISE CONTENT MANAGEMENT

Even with mature vendor offerings and proven success stories, Enterprise Content Management (ECM) systems are still not a staple in today's financial institutions. The potential of ECM to transform your organization from the slow and error-prone paper shuffling of today into tomorrow's environment of highly-efficient and accurate product servicing processes is tremendous. ECM is about more than signature cards and promissory notes. While these two areas certainly have high payback in terms of document management efficiency, there are many other areas in your organization that can benefit from an ECM investment.

HIGH LEVEL SURVEY RESULTS

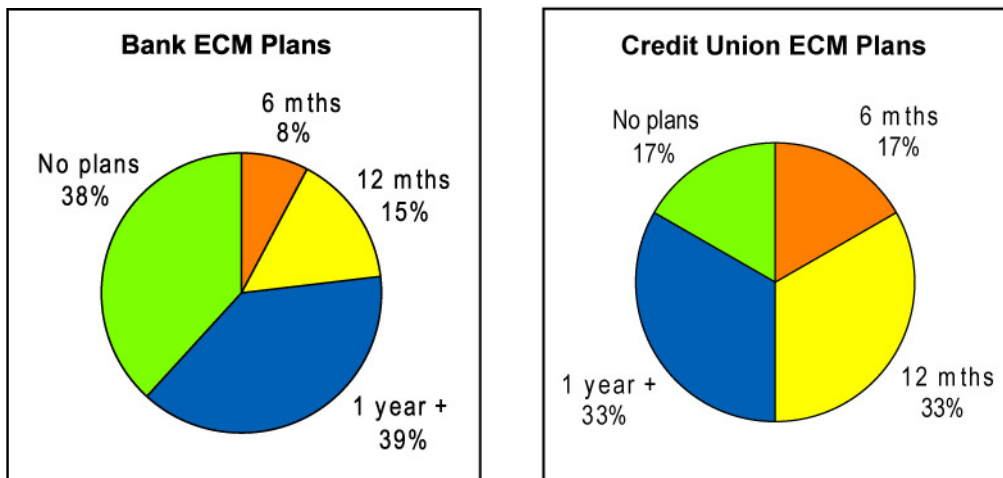
A comprehensive survey of banks and credit unions conducted by Cornerstone Advisors, Inc., in the first quarter of 2008 shows that credit unions have been more aggressive than banks in ECM deployments with 77% of credit unions responding that they have one or more ECM solutions installed versus 54% of banks, for an overall ECM implementation rate of 65%.

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Of the 35% of institutions that indicated they did not have an ECM system deployed, banks apparently see it as less urgent to move forward with ECM implementations. Half of the credit unions will implement ECM within 12 months, while only one-quarter of banks will. Overall, for institutions without an ECM solution, only 32% have no current plans to pursue one.

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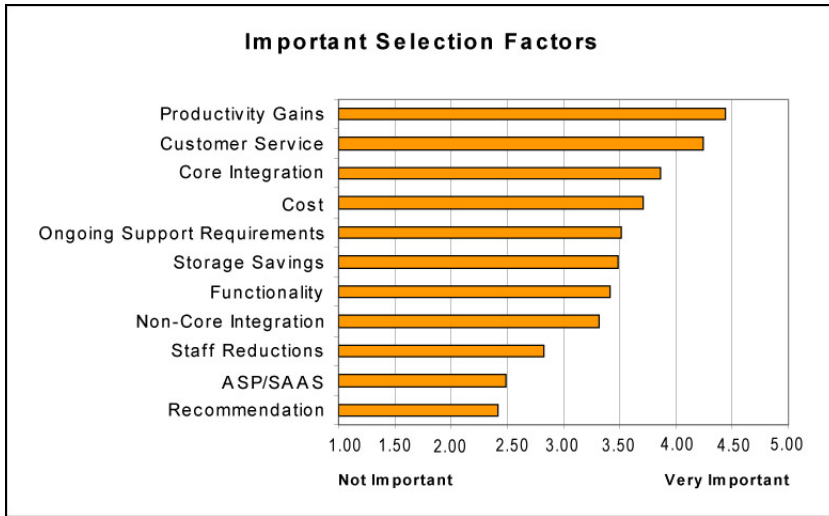


SELECTING AN ECM SOLUTION

With a project as enterprise-wide and change-oriented as an institutional implementation of ECM, an organization searching for an ECM solution should consider the various objectives that need to be met for the implementation to be regarded a success. Beyond the monetary capital outlay to purchase the system and the human capital to install and train employees to use it, the operational risks associated with re-engineering processes using ECM make this objectives-identifying step critical.

Trumping costs as a factor were integration with the core processing system, increased customer/member service and, most importantly, productivity gains. Interestingly, staff reductions finished near last place. This supports the justification of ECM being based on not having to add staff in the future versus eliminating staff now. Often times, an ECM implementation requires more resources during the implementation, training and backfile phases as well as ongoing resources to ensure maximum utilization.

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PRODUCTIVITY GAINS & CUSTOMER/MEMBER SERVICE

As banks and credit unions have optimized staffing levels over the last decade, front and back office staffs are highly aware of time wasted in paper pushing. Time spent looking for documents that were misfiled or lost in routing can never be reclaimed and adds no value to the process chain or customer/member service. To achieve maximum productivity gains, these are some features to consider when selecting an ECM system:

Indexing: By far the most time-consuming and error-prone procedure of any ECM process is the indexing of document information. Indexes are the key fields that allow users to quickly access archived images. Configuring a solution with too many indexes usually does not have a payback and increases the complexity. For customer/member applications, common indexes are Tax ID number, name, and account number. While the ability to search by phone number or address sounds desirable, it is among the least used features of core systems with this functionality.

Any enhancement to the indexing function will pay for itself with increased productivity and better indexing

Most loan and deposit documentation systems have an optional module that gives the program the ability to generate a bar code with the document. These are excellent upgrades to improve the indexing process. Other systems have the ability to generate bar code cover sheets “on-the-fly” with index values pre-loaded from nightly core system extracts. Any enhancement to the indexing function will pay for itself with increased productivity and better indexing quality.

Document Types: A counterpart to indexing is identifying documents based on their type. This plays an important role in driving adoption. Users will not want to page through 50 images to get to the documents they need. By creating a list of document types, once the account or customer/member has been identified, retrieving a document is then just a click away. As in indexing, care should be taken to avoid too many document types. Is it necessary to have two document types for correspondence (inbound and outbound) or would one suffice? Are consumer loan application and commercial loan application required, or would just loan application be sufficient?

Document Tracking: Any image archive system that includes document types will tell you what documents are in the archive. A really good solution will also tell you what is not in the archive but is expected or required and when it will expire. There are a set of required documents for any product or service you offer. Having a system that can report an account that is missing one or more of these documents is extremely valuable in helping you maintain compliance efforts and overall documentation purity. There are also other documents that are valid only for a certain amount of time. In the lending environment, these typically are insurance policies, financial statements and recorded documents. Knowing when these documents are set to expire and having a system that can generate notices based on these expiration dates increases productivity and supports compliance initiatives while promoting a general sense of professionalism with your customers/members. Integrating these compliance efforts with an ECM solution as part of a more strategic initiative across the enterprise will provide your company with additional cost reductions and a rapid ROI.

Digital Signatures: A source of major process delays in paper-based workflows is obtaining signatures or approvals to proceed to the next step in the process. With digital signatures, your ECM solution can ensure that approved documents remain approved or that the approval is invalidated when the document is altered. This type of digital signature is primarily used for internal employees on internal processes. While the ESIGN Act of 2000 allowed for the legal acceptance of electronic signatures, banks have not been aggressive in the deployment of signature pads for customer use on loan and deposit contracts. Credit unions have been quicker to embrace this technology.

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Digital customer/member signatures involve more than just your ECM solution. The platform and loan documentation systems and processes also require modification. Be sure to consider the impact before adding this module. It is better left for Phase 2 after you complete the initial implementation.

Workflow: A large increase in productivity is realized when workflow is utilized for either paper based or electronic forms. Workflow solutions enable you to automate and manage business processes using rules and routing capabilities within the ECM system. By aligning critical content with core processes and business applications, organizations can track, expedite and interlink information streams throughout the enterprise.

Reporting: The engine of a quality ECM system is the underlying database that supports it. You can leverage this database to eliminate manual report creation if your ECM solution either has a built-in reporting/query tool or has a published database schema that enables your staff to create reports using a tool like Crystal Reports. Long-term reporting functions enable businesses to analyze trends, share productivity information across the organization, and make proactive decisions based on solid report data.

Scanning: With today's scanning hardware, this device will not be your bottleneck. However, it is still best to avoid centralized scanning where possible and practical. Most institutions have installed multi-function devices (MFDs) in branch locations. These network-attached devices are capable of printing, copying, scanning and faxing. Having an ECM solution that has the flexibility to incorporate distributed scanning into the workflow process is extremely important to maximize efficiency.

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Retention

An important component to any ECM project is the alignment of image retention with the institution's record retention policy. The first step is to review and evaluate your current retention policy for completeness and appropriateness. A good ECM tool will include a module that allows you to map the disposition of electronic documents to your policy. One common, complicating factor is disposition congruency between paper and electronic files. If you don't make the leap to shredding documents once they are archived, then as the retention period expires, you will need to dispose of both physical and electronic records. This dual maintenance adds a level of compliance complexity that can be avoided by trusting your ECM solution and destroying paper copies once the image QA process has validated the presence of a good image.

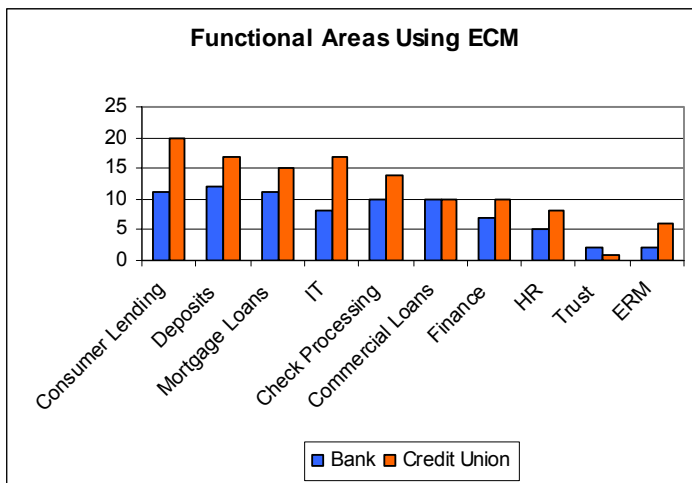
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Core Integration

There are two aspects of core integration that will help drive the ROI and adoption rate of your ECM solution. The first is data integrity. While most I.T. departments loathe the idea of duplicative data, the fact is that most ECM solutions will require a subset of core information to be housed in a database that supports the ECM solution. Your core system is the system of record for the financial position of your customers/members. Any core data that is either customer/member related or account related should be exactly the same in your ECM solution. At first glance this may seem too obvious to even mention. However, if the initial ECM record is created from a one-time core extract either at the beginning of the project or as new core records are created, the information in the ECM database will be quickly become outdated. Having a process that integrates and reconciles core data and ECM data is important.

DEPARTMENTAL CONSIDERATIONS

The Cornerstone Report: Benchmarks and Best Practices for both mid-size banks (2007) and credit unions (2006) organizes the staff and volumes of surveyed financial institutions into eleven functional categories. The survey asked which of these areas are supported by ECM. *Note: Retail Delivery is the 11th category indirectly supported by the others.* The remainder of this white paper will describe the current and future ECM activity within these functional areas. Also covered will be the high value ECM opportunities within each of these functional areas.



Consumer Lending

For all survey respondents, consumer lending is where the ECM activity is. Consumer lending tends to be high volume, low touch transactions. If the images are not scanned until after the loan is boarded and verified, the benefit is mainly retention since these files do not have the ongoing activity of commercial loan files.

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Deposits

The easiest of the large department ECM implementations is deposits. Most banks and credit unions with ECM are using it for this function. Documents such as the new account form, Customer Information Program (CIP), corporate resolutions, etc. can be scanned anywhere in the process with generally equal levels of efficiency and productivity. A substantial productivity gain can be realized by ensuring that all documents related to the deposit account are scanned and indexed either to the account or the customer/member. This would include ACH and wire agreements, cash management contracts, safe deposit box contracts, as well as any maintenance forms. By using workflow functionality and scanning the documents in the branches through MFDs, account level maintenance can be performed faster and the documentation retention is built into the workflow.

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Mortgage Loans

The mortgage lending function was an early adopter of ECM technologies primarily due to the amount of paper involved in these transactions. In recent years, because of the Mortgage Industry Standards Maintenance Organization's (MISMO) data standards for ePackaging and SMART documents, additional efficiencies can be gained by transferring loan document images between mortgage participants. The ability to create standard image transfer packages in the formats required by the secondary market participants is a key feature to look for.

Information Technology

I.T. examiners are requiring institutions to track paper trails for everything from user access to program change control. Using ECM for this function will make complying with these requirements and expectations simpler.

Some thought is required on the indexing schema, but I.T. units can take advantage of the technology they are supporting for other areas of the company.

Computer Output to Laser Disc (COLD) is well established in all financial institutions as a method of not printing cumbersome paper reports. However, newer generation COLD modules from ECM vendors have more sophisticated report manipulation features that increase the productivity of end-users and reduce the reprogramming of existing reports to produce them in different sort orders or add additional calculation fields.

Check Processing

In addition to check imaging, ECM vendors include modules that will satisfy your e-Statement and e-Notice requirements. Besides the benefit of having a single solution that supports internal document management and external document delivery, your end-users will be able to see statements in the exact same format as your customers/members.

Check 21 functionality is making its way into ECM solutions. Check 21 solutions enable financial institutions to reduce courier and clearing check fees related to transferring paper checks. Electronic transfers lessen the costs associated with check handling, storage, fraud and lost items. However, the image exchange and interfacing of image cash letters to core processing systems is not yet as mature as we would like to see.

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Commercial Lending

Given the relationship nature of business lending, having an electronic credit file makes all the sense in the world. If the ECM solution were nothing more than back-end scanning for archiving and retrieving purposes, there would still be nice productivity gains.

With today's ECM systems and the ability to integrate to document tracking and exception tracking systems, the management of the commercial loan portfolio can be much more effective and efficient.

By utilizing features such as drag-and-drop document import, appraisals that are received in PDF format can be quickly placed into the electronic credit file for immediate access by all parties. Given the incubation time of a commercial loan, it does not make sense to wait until the end of the process to scan documents. Having the paper flow through numerous hands for review, approval and checklists opens the process up to lost documents. This is one area where early capture using distributed scanning technology is a must.

Finance

A number of functions in the finance area can benefit from ECM for archiving, and other functions will benefit from workflow. SEC filings, regulatory filings, board reports and other corporate records should be part of the corporate ECM archive.

Functions such as accounts payable for vendors and expense reimbursement for employees work efficiently when supported by workflow. The initial capital request form begins a workflow that includes vendor quotes, purchase order issuance, and invoice reconciliation and approval. Employees can complete a reimbursement request online, workflow route it to the manager for approval, and once approved it is queued up in AP for payment.

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Human Resources

There are two opportunities within human resources for ECM. The first is overall employment record keeping. While security and access should be a concern, every ECM solution on the market has the ability to protect these personnel files from unauthorized access. A benefit over paper files is that access activity is logged. In a paper file environment, you may know who has access to the files but you may not know who is accessing them or when they are being accessed. With ECM, every view, print and email activity is logged by user with a date and time stamp.

The second opportunity in HR is using workflow to automate the everyday employee relation processes that exist in all organizations. Requisitions to fill an open position are one example. An e-form is completed by a department manager, which begins a workflow to get approval, perform internal postings, review applicant resumes, and complete the hiring process with benefits enrollment forms. Disciplinary action forms and even vacation requests can also begin a workflow process and ultimately end up in the employee's secured electronic personnel file.

Trust

Based on our experience with mid-size bank trust divisions, it is not surprising that few banks report using ECM within trust. However, the paper storage requirements for these accounts are just as cumbersome as in commercial lending, and this division is a prime candidate to increase the leverage of an ECM system. The incremental licensing and storage costs are very minor considering the importance of these contracts.

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As with consumer and commercial loans, there are collateral documents that will require physical storage (such as bonds and stock certificates), but including these documents in the image archive reduces the amount of activity in and out of your collateral vault, which in turn reduces security risk.

Enterprise Risk Management

For publicly traded companies, the audit and compliance documentation requirements imposed by Sarbanes-Oxley will be less of a burden using an ECM solution. The documentation proving that reports or balancing spreadsheets were completed and subsequently reviewed by a supervisor can be stored in an ECM solution. As with I.T. usage, the set of indexes that will be used to make searching and retrieving efficient will require careful planning.

Vendors and Products

Survey respondents reported use of a number of different ECM solutions, across the industry and within each organization. Most respondents reported using more than one ECM solution. Banks and credit unions, on average, have more than three ECM solutions installed. A strategic initiative over the next five years to consolidate platforms should yield cost and support savings.

When asked to identify which ECM solution is considered primary, those vendors mentioned most were: Hyland Software, EMC, Metavante, and Profit Stars. Ten other solutions were mentioned one or two times indicating that there are plenty of options from which banks and credit can choose.

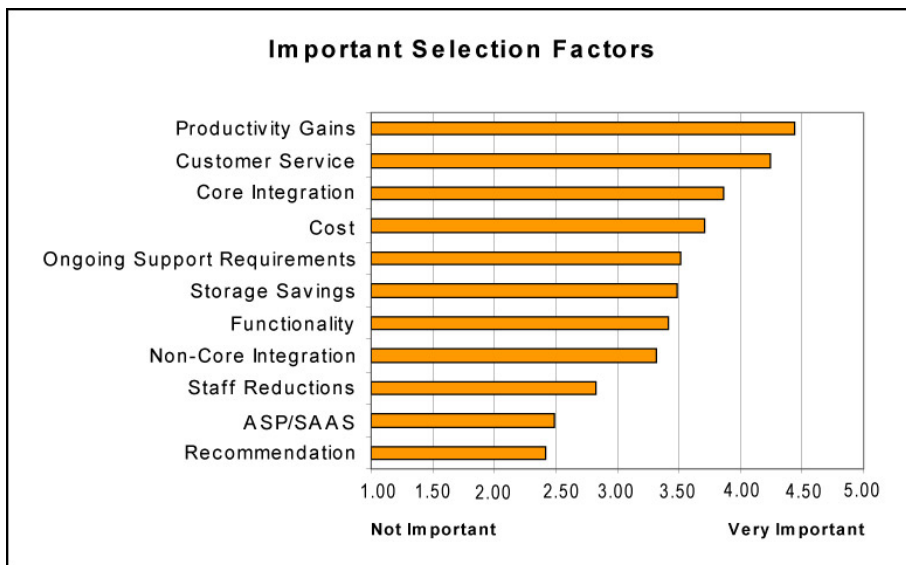
To address the complexity of supporting multiple ECM solutions, respondents were asked to rate what would be important if they could do it all over and have a single ECM solution. 85% of respondents said integration.

A strategic initiative over the next five years to consolidate platforms should yield cost and support savings.

It is interesting that none of the respondents indicated that Microsoft SharePoint was a primary ECM solution, and 80% had no plans to integrate their ECM solution with SharePoint. While SharePoint may be one of the ECM solutions supported, it is not considered an adequate substitute for ECM. SharePoint could have a place for organizing Office-generated files, but for scanned or imported images it can quickly become a behemoth.

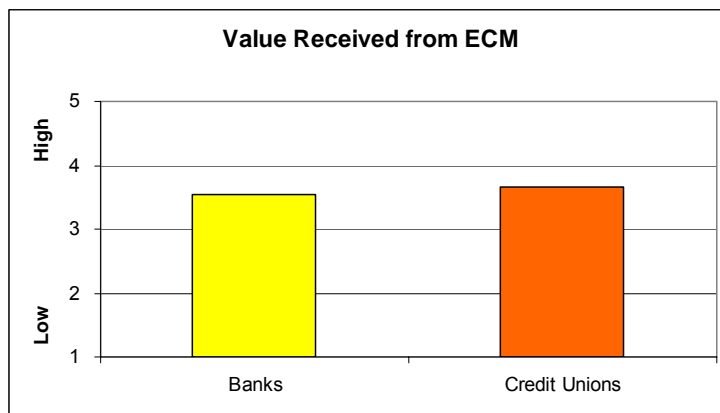
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According to survey respondents, other factors they would consider important if they were to combine their existing systems into one would be workflow capabilities and the end-user experience, or ease of use.



SUMMARY

The survey results indicate that financial institutions that have deployed ECM solutions have yet to tap the “enterprise” in Enterprise Content Management. When asked to rate “the level of adoption, acceptance, utilization, integration and mastery” of installed ECM solutions, on a scale of 1 – 5, banks responded with an average score of 3.5 and credit unions 3.7.



This indicates there is room for organizations to exploit the efficiency boosting potential of this technology. Our experience points to a lack of resources devoted to ECM in the form of business analysts that develop and implement workflow and integrate electronic processing into daily operations. This business analyst function is the key component to a successful and robust ECM installation. Often the departmentalized solution for which ECM was originally installed is completed and then the project team moves on to something else. Leaving further integration to department managers and end-users will not yield the high returns that ECM can offer. Including this overhead in your business case will have tangible results. 

If your financial institution has not installed an ECM solution or if you have minimally exploited the potential, investing resources to take advantage of the efficiency opportunities will pay big dividends for you and your customers/members.



Cornerstone Advisors, Inc.

Cornerstone Advisors, a leading bank and credit union consulting firm, provides a wide range of services to mid-size and regional banks and credit unions clients. Cornerstone specializes in Strategic Planning; Benchmarking and Best Practices; Technology Assessment and Planning; Risk Management; Merger Integration; and System Selection, Contract Negotiation and Conversion Oversight services. Cornerstone publishes *GonzoBanker*, an online information resource dispatched each week along with a good helping of irreverence to more than 12,000 readers, including banks, trade groups, the media, and industry analysts. Cornerstone also publishes *The Cornerstone Report: Benchmarks and Best Practices for Mid-Size Banks* and *The Cornerstone Report, Benchmarks and Best Practices for Credit Unions*.

Cornerstone has worked with hundreds of clients to develop strategic plans, craft technology plans to support these strategies, and select the right technology providers for their future. Cornerstone's unique consulting approach combines a deep understanding of the banking industry with an awareness of best practices and the technologies to implement those best practices. The Cornerstone team can develop financial and business strategies while also providing the depth of expertise to implement new systems, reengineer processes, and change organizations for the better. Simply put, Cornerstone's "no nonsense" approach to closing the gap between strategy and reality can help financial services institutions improve their competitive position in the market.

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Hyland Software, Inc.

Founded in 1991, Hyland Software Inc. is a privately held software company with over 700 employees, which serves over 7,000 customers worldwide. Developed by Hyland Software, OnBase® is ECM software that combines integrated document management, business process management and records management in a single application. Whether deployed as a hosted or premises-based solution, OnBase allows organizations to automate business processes, reduce the time and cost of performing important business functions, improve organizational efficiency, and address the need for governance, risk and compliance through the management and control of content from virtually any source.

Recognized for its rapid deployment, OnBase integrates with existing line-of-business applications and legacy systems, such as core processing systems, loan origination systems, cash management systems, portfolio accounting, call center, customer relationship management (CRM) and enterprise resource planning (ERP) solutions, in order to provide a single click point of access to documents, data and workflows across the enterprise.

Financial services represent a major area of expertise for Hyland Software. With more than 3,800 financial services customers worldwide, OnBase enables banks, credit unions, investment firms and lenders to overcome the many challenges involved with gaining a sustainable competitive advantage.

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