



ROI Explanation for Policy & Procedure Manager®

Overview

This document highlights the financial benefits of using Policy & Procedure Manager® (PPM) by defining the investment in terms of:

- **Faster Retrieval** — Saves time, as employees can access documents instantly.
- **Resource Reduction** — Eliminates excess copying, distribution, and storage. Also enables compliance managers, HR directors, and document managers to reduce paper shuffle and focus on improving quality and compliance levels.
- **Enhanced Training** — Ensures that employees have read and understood appropriate procedures without costly training staff. And authors need less training on company standardization.
- **Automated Management** — Expedites the policy review and approval process.
- **Proven Compliance** — Links regulatory guidelines to salient procedures.
- **Lower Redundancy** – Saves time and confusion with updated and uniform documents.
- **Increased Productivity** — Employees perform their job more efficiently.
- **Heightened Quality** — Accurately followed procedures allow for continuous improvement.
- **Risk Prevention** – Avoid costly litigation and prevent error and negative outcomes with accurate records of employee attestations and approved company policy.

The figures in the examples below are based on daily costs at an average company (hospital, business, government) with 500 employees where the average employee earns \$18 per hour. While these figures will not fit the exact numbers of every organization, they show how savings are measurable and substantial.

Typical Annual Cost and Return on Investment Information:

Current annual policy and procedure management cost (paper-based):		\$168,912.50
Annual potential savings due to PPM. :		\$116,632.50
	Return on investment	
	1 st year	69.05%
	2 nd year	86.04%
Payback period:		3.71 months



Information above was calculated using the following data:

Company Information	w/o PPM	with PPM
Number of employees who read policies and procedures::	500	500
Number of employees who write policies and procedures:	50	50
Average salary (per hour) of people who read and write policy and procedure documents:	\$18	\$18
Retrieving and Photocopying Costs		
Average number of times per year each person searches for and retrieves a policy, procedure, or form:	78	78
Average time taken to retrieve the paper document (minutes):	5	.5
Average time per person spent per month making copies of policies, procedures, or forms (minutes):	5	.5
Average number of employee handbooks printed for each employee per year (\$2.00 each)	125	0
How many total binders of policies are there throughout your organization?	245	0
How many pages on average are stored in each binder?	250	0
How often per year on average do you replace those documents? (Annual = 1, Bi-Annual=.5)	1	0
Training Costs		
Average hours spent per author, per year, on policy and procedure formatting training (hours):	5	2.5
Average time spent per employee, per year, teaching employees the company's policies and procedures:	8	2
Policy Management Costs		
Average hours spent per day by the company, updating policy manuals, routing documents for approval, archiving and photocopying manuals.	10	1.5
Average hours spent per day by managers tracking employees down for signatures, filing signed copies, etc.	.1	0
Average hours spent per day by authors following up with reviewers and approvers to get documents published.	.1	0
Total	\$168,912.50	\$17,280

Faster Retrieval

One of the principle ways companies save money using PPM is through a decrease in the time employees spend finding documents.

For example: Suppose that the average employee must find 1.5 policies, procedures or forms per week. Assuming the document is correctly labeled, in the right spot, and the employee knows exactly where to look; it will take an average of five minutes to locate the document from the time he or she begins their search. This means that each employee will spend 7.5 minutes per week looking for documents. If the average employee earns \$18 an hour, the 7.5 minutes spent looking will cost the company \$2.25 each week. Multiply that by 500 employees and 52 weeks (the number of weeks in a year) and the cost to the company is \$58,500. Using the keyword search capabilities in PPM, this employee can find the same document within 30 seconds— at one-tenth the cost of what it was before (a \$52,650 savings).

Cost to find document	Using Manual System	Using PPM
Employee \$18/hr	\$2.25/week x 52 weeks = \$117/yr	\$0.225/week x 52 weeks = \$11.70/yr
500 employees	\$117 x 500 = \$58,500/yr	\$11.7 x 500 = \$5,850/yr
Estimated savings = \$52,650/yr		

Resource Reduction

The advantages of electronic policy management and storage go *far beyond* the ease of retrieval. By reducing the number of copies, you will also reduce the amount of paper, ink and machine costs. Many mid-level organizations have around 2000-3000 policies and procedures. But, they have to make multiple copies of each and store them in multiple binders throughout the organization. If you have about 35 departments, with an average of 7 binders per department and an average of 250 pages in each binder, you will have around 61,250 pieces of paper. If you are reviewing and updating these pages annually, that could be a fair, although nominal, expense. Even if you do not replace them annually, the copies made during the review and approval process on those that are reviewed or created could easily reach that number. On average, each copy costs \$.05, and so the total cost could be at least \$3000 a year.

Average cost of copies	Using Manual System	Using PPM
\$.05 per copy	61,250 x \$.05 = \$3062.5	0 x \$.05 = \$0
Estimated savings = \$3062.50/yr		

Many companies also require an Employee Handbook for each new employee. Printing handbooks, at minimum, probably cost around \$2 an employee if you buy over a 1000. If you hire 2.5 new employees a week (about 125 a year) it will cost you about \$250 a year. That doesn't sound like much, but remember that you often have to buy large

amounts to get the low price of printing. And if you make a change to the handbook, all of those extra copies are now useless. Hence, you will be hesitant to make changes, even though they may sometimes be very important (an unseen cost of unrealized opportunity or risk). Using our software, you can make those changes easily, reconfirm the readership, and employees will have instant access wherever they have Internet.

Average cost per handbook	Using Manual System	Using PPM
\$2.00 per handbook	\$2.00 x 125 employees = \$250	No cost, and it can easily be updated.
Estimated savings = \$250/yr		

Also, PPM opens up physical storage space, as your policies are contained within a server. You can start using the space that is currently occupied with binders such as storage rooms, file cabinets, and shelf space. Moreover, policies are electronically distributed to all appropriate employees with the assurance that the available policy is current and approved. PPM also allows documents to be electronically linked to a variety of other documents, manuals, and formats. The links remain with each version of the document, eliminating the need to reprint ancillary documents that are included with a manual.

Finally, policies and procedures often need to be approved or distributed to third parties, such as board members, contractors and physicians at remote locations. Because our policy and procedure software is web-based, those parties are able to access them from anywhere - thus eliminating further duplication and distribution cost and hassle.

Enhanced Training

Anytime new training materials are added to the PPM, each relevant party is sent an email notification. Documents and material can be uploaded to the system in many document formats such as HTML, PDF and video. This feature has two money-saving benefits; first, employees have 24-hour access to the training material and can refer back to it at will. Second, there is no need for supervisors or trainers to travel and spend time training employees that can be just as easily reached via Internet. After the employee reads each document, passes a quiz (if required), and certifies they understood the document, their attestation and scores are permanently recorded in the system. Trainers now save time and can prove 100 percent readership of important documents. Employees can also send feedback to the trainer about any of the documents. Finally, when a new employee is hired, based on their assigned department and job title, they will automatically receive notification to read all of the documents required for that job title – no manager or trainer intervention needed.

Calculating return on investment for training costs using PPM is measurable regardless of a company's situation. Assume the average manager spends 8 hours annually

training employees on policies and procedures. If you have 50 managers (10% of the work force), the company will spend \$7,200 a year on policy and procedure training. With PPM, this training time may be reduced from 8 hours per manager, to 2 hours per manager, an annual savings of \$5,400.

Training Costs on Policies and Procedures	Using Manual System	Using PPM
Employee makes \$18/hr	8hrs/yr x \$18/hr = \$144/yr	2hrs/yr x \$18/hr = \$36/yr
500 employees	\$144 x 50 = \$7,200/yr	\$36 x 50 = \$1,800/yr
Estimated savings = \$5,400/yr		

Policy and procedure authors also need training. Companies often require that writers follow certain formats. For example, policies are to follow one layout, procedures another, etc. Training each author on these rules can take lots of time. On average, each writer will need at least 5 hours of formatting training per year. If the company has 50 authors/managers, receiving \$18 an hour, it will cost a company \$4,500 a year.

PPM can reduce the amount of time required in training managers/writers. Our software does this by:

1. Walking the author through a document creation wizard that forces them to make appropriate choices.
2. Creating custom templates that force writers to follow the appropriate formats.
3. Continually notify authors on the status of their document in the review and approval stages.
4. Remind authors when it is time to update their documents on a periodic or annual review.
5. Managing policies and procedures which explain document layouts, grammar rules, etc, and require each writer to read it annually and take a quiz on what they have read.

By implementing PPM and following those strategies, the average writer, that took 5 hours of training, will take less than 2.5 hours saving the company over \$2,250 a year.

Formatting Training Costs of Policies and Procedures	Using Manual System	Using PPM
Employee makes \$18/hr	5hrs/yr x \$18/hr = \$90/yr	2.5hrs/yr x \$18/hr = \$45/yr
500 employees	\$90 x 50 = \$4,500/yr	\$45 x 50 = \$2,250/yr
Estimated savings = \$2,250/yr		

Automated Management

Managing a company's documents can be unnecessarily time consuming and costly. One management challenge is keeping track of updating and archiving documents at appropriate times. On average, for every 100 employees, the company, as a whole, could spend 2 hours a day performing these tedious tasks. A 500 employee company could spend 10 hours a day costing \$180, which equals \$43,200 a year updating and archiving documents.

PPM actually keeps track of and notifies users when they must perform these management tasks - saving you thousands. Instead of spending 10 hours a day on document management, a 500 employee company will only spend 2 hours, costing you \$6,480 a year opposed to \$43,200.

Policy Management Costs	Using Manual System	Using PPM
Employee makes \$18/hr	10hrs/day x \$18/hr = \$180/day	2hrs/yr x \$18/hr = \$36/yr
500 employees	\$180 x 240 = \$43,200/yr	\$36 x 240 = \$6,480/yr
Estimated savings = \$36,720/yr		

Another policy management challenge, is getting employees to sign off that they have read and comprehend important documents, and then filing away these important reports. If each manager spent 10 minutes a day retrieving these signatures, it would cost \$21,600 a year.

On the other hand, PPM will send automatic email reminders to staff to read and mark (sign-off) that they have read the appropriate document – and passed a quiz if required. Reports can then be run to show who signed-off and how well they comprehended it. Because PPM does all the reminding and gathering, it will not cost you anything, saving you \$21,600 a year.

Finally, managers and authors that create policies, procedures, and other important documents must get their work reviewed and approved before they are finalized. This process can take 4-6 months! Managers often have to follow up with reviewers and approvers in person, via email, and with phone calls to push their documents through. The average writer/manager spends around 10 minutes every day following up with reviewers and approvers. Some of this time might be spent going over changes, figuring out what is required to be in the document, and gathering suggestions. If each manager spends 10 minutes a day doing this, it will cost the company \$21,600 a year. This unnecessary cost can be eliminated through PPM.

In PPM, automatic reminders push documents through the review and approval process, without any required help from the author. Suggestions can be gathered right

in the document and delivered to the document owner. By automating this process, you can reduce review and approval process cost by over \$21,600 a year!

Policy Management Costs	Using Manual System	Using PPM
Employee makes \$18/hr	10min/day x \$18/hr x 50 authors = \$90/day	0 min/day x \$18/hr x 50 authors = \$0
500 employees	\$90 x 240 = \$21,600/yr	\$0 x 240 = \$0/yr
Estimated savings = \$21,600/yr		

On top of reducing the time of following up with reviewers and approvers, PPM will reduce the amount of time it takes to get documents reviewed and approved. We have found that on average, customers cut this time in half!

Additional Benefits:

Proven Compliance

Our software allows you to link your policies and procedures with the regulatory guidelines they comply with. This means a quick and simple retrieval for auditors and compliance officers to prove compliance with standards instantaneously.

Lower Redundancy

If each department created their own vacation policy, dress code, etc.; each department manager could spend hours creating a document that other departments may already have, or are working on. And with multiple versions of the same content available, employees may become confused about what is and is not pertinent to them.

PPM empowers management to see other similar policies and thus avoid rework or confusion. Authors can then link or refer to the pre-existing procedure.

And if there are policies that are similar in different departments, with PPM managers can ensure that their staff only view relevant documents. This streamlines the policy creation process and eliminates duplicate information and hearsay.

Increased Productivity

An employee survey given by the National Business Research Institute¹ discovered after planning, the next best way to affect worker productivity is “having policies and procedures that help employees do their jobs.” Employees are most likely to succeed in a structured environment where they know how to function and experience stable

¹ http://www.nbrii.com/Employee_Surveys/Measure_Productivity.html

managerial and company direction. With PPM, employees are now educated on effective procedures - thus boosting each employee's productivity.

Try to imagine your most productive employee achieving a few more minutes of work a day because s/he understands and follows procedure exactly. Now give these same few minutes to all of your employees. The benefits quickly add up.

Heightened Quality

Policies and procedures link the company's vision with its day-to-day operations. By stating what quality means and what best practices for achieving quality performance are, a company has the greatest chance of obtaining success. With PPM the company can require authors to review important documents at important intervals, such as annually, or semi-annually. Staff can access important documents instantly, at any time. Using the accountability feature, managers can start measuring how well employees understand what is required of them.

Risk Prevention

An electronic policy manager also plays a key role in risk prevention. Every organization assumes some risk just by hanging the open sign out on the front door. Consequently, in the world of compliance and accreditation, the risks seem to be growing faster than the means to avoid them. Penalties for noncompliance include fines per incident, imprisonment, loss of accreditation, loss of funding, exposure to civil and criminal action, removal of individuals from industry or position, or loss of privileges - just to name a few. Almost all regulating bodies require formal policy and procedure documents that can be offered as proof of a company's actions, employee's knowledge, or even customer's awareness as a condition of certification. It is not enough for a company to have a document. The company must be able to find the document and have record that it was read and understood to pass muster with an investigation or audit. PPM is a simple solution to satisfy compliance regulations and help reduce the expense of audit preparation and litigation prevention.

Conclusion

As shown by the above examples, PPM is a software tool that demonstrates a high rate of return on investment. PPM has proven to be a cost-effective solution for managing policies and procedures, as well as a method of improving business practices in a variety of industries and organizations regardless of size or structure. We can't wait to show you how it can benefit your organization today.