

# Business Valuation

Accelerating Performance by Calculating Results™

## *PSS World Medical: Increased Reporting Accuracy & Cost Savings with Collaborative Financial Reporting Tools*

<b>PSS World Medical Inc.</b> (NASDAQ GS:PSSI)	Customer Intelligence Business Valuation	<b>Business Challenge:</b>
PSS World Medical, with 3,400 employees & revenues of \$1.9b, distributes medical supplies to US based doctor's offices & long-term care facilities.		PSS World Medical, Inc. is a national distributor of medical supplies and equipment to doctor's offices and nursing homes. Like other public companies, PSSWM expends a great deal of staff time filing quarterly and annual financial reports with the SEC, and ensuring compliance with Sarbanes-Oxley Act (SOX) and HIPPA regulations.
<b>Clarity Systems</b>		Until this year, putting out the annual report consumed weeks of staff time, spent mostly on assembling data from dozens of managers and financial employees and then manual inputting the data into a 90-page Microsoft Word document. It was also an exercise in version control for the handful of employees who worked on the electronic version of the report, since there was no way for multiple employees to work the document simultaneously.
<a href="http://www.claritysystems.com">http://www.claritysystems.com</a>		A constant concern was that people were updating the wrong version or, that an inaccurate version might go to publication. PSSWM determined it needed to cut down on the amount of manpower that was being invested in the reporting process, as well as better ensure the accuracy and consistency of the reports.
provides a corporate performance management suite with collaboration tools publication templates compliant with government regulations.		<b>Strategy Approach</b>
<b>Business Challenge</b>		Automation was the obvious choice for streamlining the reporting process. The company began looking for a reporting tool that would, at minimum, allow multiple authors to work on different portions of the same document at the same time. The hope was that such an approach would also permit more people to input their own data into the document, thereby sparing the other staffers from manually re-inputting information consolidated from multiple sources.
Speed the accuracy, efficiency & production of financial reporting processes.		<b>Transformation</b>
<b>Strategy</b>		<b>Selecting a technology provider:</b> Initially, the company looked at several collaboration tools, including Microsoft's Groove team space software. Because Hyperion was in place for its financial reporting and planning software, it was not initially interested in looking at other corporate
Automate financial consolidation & reporting processes through deployment of a solution that allows for simultaneous collaboration.		
<b>Value Achieved</b>		
<ul style="list-style-type: none"> <li>✓ Reduced financial reporting process by two months or more for annual reporting</li> <li>✓ Improved accuracy &amp; consistency of reporting</li> <li>✓ Estimated annual savings of \$17,000 in staff utilization</li> </ul>		

## PSS World Medical

performance management vendors for a reporting solution. Clarity Systems approached PSSWM in 2007 with its Clarity 6 CPM product. While PSSWM was not in the market for a full CPM suite, it was impressed with Clarity's Financial Service Reporting collaboration tool. The company's financial and IT employees obtained a demo version of the product and spent several months evaluating FSR's features before purchasing the software in March 2008.

One key feature is its ability to allow numerous users to work on specific portions of the same document simultaneously, while locking out access to other portions. Intelligent links to source data ensure that commonly used numbers such as sales and operating expenses are always consistent and accurate.

**Technology deployment:** Installing and configuring the application took four days--about two days longer than expected. The delay was partially due to miscommunication over the location of the data repository. PSSWM assumed financial planning data resided within the Hyperion OLAP server—although it was actually stored within the Hyperion Enterprise application itself.

Clarity FSR can retrieve data from an OLAP server, but to enable it to access data held in the Hyperion planning application required a workaround. PSSWM created an Excel file that would act as the intermediary between Clarity FSR and Hyperion. The Excel file pulls the balance sheet from Hyperion, and Clarity FSR, in turn, pulls the document data from Excel.

Although the FSR application was up and running by April, staff training and document formatting work was not yet completed. During production of the 2008 annual report began while the finance staff was still learning how to use FSR. Hence, while the actual work to build report templates took just two weeks, the learning curve stretched the production out over two months. Despite that, the company managed to reduce production time by a full month.

### The New Operating State:

Now fully trained in the use of Clarity FSR, the company expects to see much greater time savings in the future. Based on initial experience in using FSR, PSSWM believes it will radically streamline the workflow, save time and boost accuracy. The company can now put much more of the financial report production work—such as executive approvals and sign-offs by SEC filings—into the software, rather than having to physically carry or email forms back and forth between offices.

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**Hypatia of Alexandria** (c.370-415 AD), invented several scientific devices--the astrolabe, plane sphere, and hydroscope (hydrometer). These instruments were used to calculate the distance between planets, the position of visible stars at any time of the year, and the gravity of liquids respectively. Hypatia was the first woman to make substantial contributions to the development of mathematics, astronomy & philosophy.

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*"It's a large document and pretty number intensive. We have 50 or 60 people giving us information, and another two or three people working full time to put it all together... with MSW, only one person can be in the document at any one time... Prior to using Clarity FSR, it's been a completely inefficient process."*

— Michelle Boyer,  
Director of Financial Reporting,  
PSSWM

## PSS World Medical

The number linking feature and sum checking functions also reduce the risk that inaccurate financial data might get published. “There are no errors,” says Boyer, noting that it used to take an employee a full week to manually type in the financial section of the annual report. Now the numbers are automatically imported.

*“It’s absolutely taking a load off of our department and cutting down on paperwork.”*

– Michelle Boyer, Director of Financial Reporting, PSSWM

### Lessons Learned

Starting the rollout of FSR a bit earlier would have helped, as would have the creation of a detailed implementation plan that assigned specific duties to individual staff members, including the naming of an overall project manager. Better communication channels to the IT department would also have helped clear up the question as to the location of the data. Boyer recommends working with the front-line IT staff directly, not always via upper-level IT management.

PSSWM also expects to use FSR for investor press releases and notes that it may have wider applicability in the company

### Performance Metrics & Results

Automation of financial reporting process has saved hours of employee time, and reduced errors in critical SEC reports. Clarity FSR’s collaborative capabilities speeds the data gathering process for future annual reports and other large financial documents.

While the exact ROI has yet to be determined, Boyer says it’s already saving the company in terms of staff time and improved accuracy in financial documents.

*“Anytime you go to an automated process from a manual process, you get huge gains in accuracy.”*

– Michelle Boyer, Director of Financial Reporting, PSSWM

- ✓ Reduced financial reporting process by two months or more for annual reporting
- ✓ Improved accuracy & consistency of reporting
- ✓ Estimated annual savings of \$17,000 in staff utilization<sup>1</sup>▲

<sup>1</sup>▲ An initial estimate of the ROI that PSS World Medical would achieve by implementing FSR predicted a return of approximately \$17,000 per year in direct staff time saved, on an initial investment of \$29,326. That figure includes only the expected time savings for three finance employees, however, and does not take into account the time saved by other employees and executives responsible for submitting data and collaborating on the reports, nor the saved cost of having to fix an inaccurate SEC filing or investor press release.

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