

## Building a Winning Finance Function at Interstates

Interstates Companies moved beyond their reliance on spreadsheets and purchased corporate performance management (CPM) software from Prophix to automate their budgeting, forecasting, and reporting. Today, the organization also conducts a wide range of planning activities with Prophix, allowing them to answer important questions for their fast-growing business, to grow their profitability, and to increase their competitive advantage.

### ROI

- » Automation of the annual budgeting process, leading to more accurate budgets and a dramatic reduction in the time requirements on accounting staff
- » Accurate personnel, CapEx, revenue, and cash flow planning, delivering unique insights to Interstates' business leaders
- » Ability to determine the true costs of their business, which helps Interstates win new deals and ensure the company's success
- » Consolidated reporting that allows the organization to build and evaluate their long-term strategic plans

### Recognizing the problem

Using spreadsheets to manually conduct their financial processes caused numerous problems for Interstates Companies. According to Scott Peterson, Interstates' Chief Executive Officer, "The biggest challenge for us stemmed from the need to consolidate the financials for all of our 11 companies. Each of these companies has separate divisions. This caused significant frustrations for us based on the requirement to track down inputs, reconfigure broken formulas, and accommodate changes. We understood that spreadsheets are not purpose-built for these types of business processes."

Interstates is a single-source, design-build electrical engineering & construction company built on the vision of understanding needs and delivering results. Customers in the feed, seed & grain, renewable fuels, food & beverage, pet food, milling, and power industries all rely on Interstates to meet their electrical and automation needs.

**Operating:** since 1953

**Website:** [www.interstates.com](http://www.interstates.com)

**Annual Revenue:** > \$100 million

**Employees:** > 500

**ERP:** Spectrum

**Industry:** Engineering & construction





Members of the company's accounting department then reviewed a range of CPM software providers. They quickly realized that they would prefer a robust system that, over time, could do more than just automate their budgeting, forecasting, and reporting.

Accounting Supervisor, Stephanie Baccam, explains: "In construction, we need to allocate job costs and answer a wide range of questions. The simpler CPM offerings would have required us to manipulate their systems or forced us to avoid our unique requirements. Prophix allowed us to create an unlimited number of multi-dimensional business models. The price was also competitive—more reasonable than even the 'canned' solutions, which offered far less comprehensive functionality."

## Benefits

Interstates Companies runs CPM software from Prophix that automates their financial processes and enables them to address their business challenges. The solution's users and administrators learned to use the software without relying on complex coding or having to consider aspects beyond the scope of their existing job functions.

## Budgeting

To date, the organization has completed 6 budget cycles with Prophix.

Whereas they used to have 6 people working for 3 weeks to construct budget templates and organize access to folders, today it takes just 1 employee less than 2 hours. The employees who used to conduct manual budgeting work have since reprioritized their focus towards valuable analysis.

Now employees at each of Interstates' business units can conduct 'what if' analysis when reviewing their predetermined budgets, altering the figures to address a wide range of possibilities like:

- **What happens if we add more employees?**
- **What if utilization rates change?**
- **What happens if we alter our billable rates?**
- **Would cost overruns erode our profitability?**
- **How do any of these decisions impact our revenues?**

Stephanie Baccam suggests that automating the annual budget addressed Interstates' primary objective for their CPM software purchase. "We've put in a huge effort over the past 7 years to become leaner as a company. We always want to streamline processes. With the help of Prophix, we save significant time on budgets. We have the same headcount in accounting that we did when we originally purchased software from Prophix, despite a steady increase in annual revenue from \$40 to \$100 million."

## Personnel planning and CapEx planning

Interstates builds their personnel plans using Prophix's software, factoring in a range of important detailed information, including names, annual and hourly wages, bonuses, divisions, departments, and health insurance types. This gives the company a true depiction of their staff turnover and payroll costs by department, as opposed to a strictly consolidated view.

The organization also conducts CapEx planning, with budget owners drilling into each line item and setting out their projected capital expenditures. The accounting group then sets approvals and pre-approvals related to these planned purchases. If Interstates hits certain revenue targets, then the department managers receive related approvals for their desired expenditures, such as electrical tools, computers, office furniture, office remodeling, and other renovations.

## Cash flow forecasting

According to Stephanie Baccam, "Cash is critical to the long term success of any company, so being able to project and plan cash flow is very important. We build cash flow projections so we can plan ahead and make better decisions related to funding purchases in the future or reallocating investments to generate higher income. We look at our projected payment terms and projected revenue to see how it will affect our cash flow and then we set parameters for spending on operating and capital purchases."

## Utilization planning

Interstates owns multiple companies, each with different needs. Some of these companies track employee time utilization. The accounting group uses Prophix to generate benchmarks for employee productivity and for the company's overall performance. This allows them to project the revenue these employees can generate for Interstates. Evaluating job hours using Prophix also ensures that these same employees are not overworked.

## Using allocations to pinpoint job costs

Understanding the true cost of their business is important for success at Interstates. Interstates' accounting experts use Prophix's software to calculate overhead costs related to different divisions and determine the amounts that should be allocated to each job hour. This means that employee wages and benefits (including vacation time, insurance, education, and training) get allocated to jobs and integrated into the costs/rates proposed or charged to Interstates' customers.

**Construction companies often win projects by partnering with their clients and finding ways to save both time and money. Delineating precise job costs are therefore integral to winning new business, creating accurate sales projections, and ensuring Interstates' profitability.**

## Reporting automation

The organization produces financial reports that analyze the differences between targets and actuals to see if they align with the annual budget. They also use Prophix's drill-across function to directly investigate anomalies in their Spectrum ERP—an additional layer of verification for the accuracy of Interstates' information. They have also created reports that track the gap between the company's revenue to date, backlogged revenue on the way, and the revenue that the company has targeted in the future.



# Prophix Customer Story

Perhaps Prophix's most significant value on the reporting side comes from enabling Interstates to generate a single report that can roll up all of their divisions. Interstates no longer needs to maintain 25 spreadsheets, saved to different folders, with everyone sharing the same level of access. Now they have 1 file. Using Prophix's Report Binder function, the software's administrators can easily maintain and automatically distribute reports (as with budget access) only to those who should see them based on their roles. Accounting Managers use data from Prophix's Report Binder to summarize and present to the company's executives.

## Strategic planning

The analysis and numbers in the financial summaries from Prophix tie into the company's strategic corporate plan. Each company under the Interstates heading has a 5- or 10-year plan. Information developed in Prophix helps to build those plans—and then allows the organization's accounting group to evaluate the plans as they progress.

## Future Plans

Interstates plans to roll additional project-level data into Prophix, including job profitability, billings, history, and performance trends. Utilizing Prophix will streamline the process of producing and distributing reports and open up new reporting opportunities. Additionally, Interstates hopes to install Prophix Mobile for the iPad to offer their executives on-demand access to reports and further broaden engagement across the organization.



"We often recommend Prophix to companies in our industry. I typically focus on time savings, which relate to our corporate strategy of always wanting to operate leaner. The cost savings based on adoption are also exceptional. Implementation is fairly smooth and fast, which makes the learning curve manageable. The centralized data integration with our ERP is really important as well. It's very slick. I don't even think about it because it's just so easy."

**Stephanie Baccam**  
**Accounting Supervisor**  
**Interstates Companies**

## About Prophix

Your business is evolving. And the way you plan and report on your business should evolve too. Prophix helps mid-market companies achieve their goals more successfully with innovative, cloud-based Corporate Performance Management (CPM) software. With Prophix, finance leaders improve profitability and minimize risk by automating budgeting, forecasting and reporting and puts the focus back on what matters most – uncovering business opportunities. Prophix supports your future with AI innovation that flexes to meet your strategic realities, today and tomorrow. Over 1,500 global companies rely on Prophix to transform the way they work.



[www.prophix.com](http://www.prophix.com)

### Head Office

350 Burnhamthorpe Road W,  
Suite 1000 • Mississauga, Ontario  
Canada • L5B 3J1  
+1 (905) 279 8711  
[info@prophix.com](mailto:info@prophix.com)

### Additional Offices

USA: +1 (800) 387 5915  
UK: +44 (0) 118 900 1900  
Europe: +45 7023 2375  
DACH Region: +49 69 509 565 605  
Brazil (Rio de Janeiro): +55 21 3094 3900  
Brazil (São Paulo): +55 11 3583 1678