Making the Business Case
for Process Mining in Finance

celonis

Contents

Introduction

Macro pressures, economic uncertainty, inflation, a potential recession – <u>Finance</u> departments are staring down a long list of challenges that demand fast results across key objectives. At the same time, these challenges make it harder than ever to drive results at the pace that's needed.

Historically, the Finance function tries to minimize disruptions to the business, focusing primarily on long-term transformation goals rather than short-term wins. Now, they need solutions to do both — driving long-term strategies and rapid cash impact all while keeping operations running smoothly.

In the current environment, finding the right levers to deliver those highly sought after Quarter-on-Quarter results is a major challenge. Finance is already looking for ways to reduce costs, increase free cash flow, and accelerate productivity. But now, urgency has been added to the equation. The Finance department that finds untapped value opportunities the fastest is the Finance department that wins. Luckily, the list of opportunities is longer than expected.

Hidden value opportunities in core processes can drive cash impact

Purchase	Pay	Order	Collect
Contract prices in 30% of order violated	invoice with the wrong billing information after manual entry	8% of orders shipped but not invoiced due to a billing block	Long credit reviews despit customers' good payment history
Many retrospective POs created in response to maverick buying	Unused aging credit memos leading to unnecessary write offs	Late deliveries because of manual credit unblocking taking 8 days	Customers with a history of broken promises-to-pay fly under the radar
POs require a change in promise date due date	Blocked payment due to quantity mismatch	1 out of 5 returns caused by order entry errors	Significant payment delays due to unidentified disputes
Supplier delivery data delayed 5 times per order	12% of vendors' payments blocked due to compliance tickets	Orders cancelled due to stock-outs	Incorrect addresses leading to disputes due to out of date master data

Process mining enables Finance teams to find these hidden value opportunities at unprecedented speed by providing a living, breathing picture of their company's as-is processes, the highest-impact value opportunities, and the right levers to deliver impact fast. All without disrupting business. In this eBook we take a look at process mining, how it works, what it can do for your business, and which previously elusive results it can unlock. Specifically, we will cover:

—— How process mining works

—— Complementary technologies

—— Applications and functionalities

—— Drivers for adoption

—— Use cases and customer achievements

—— The business case for process mining in Finance
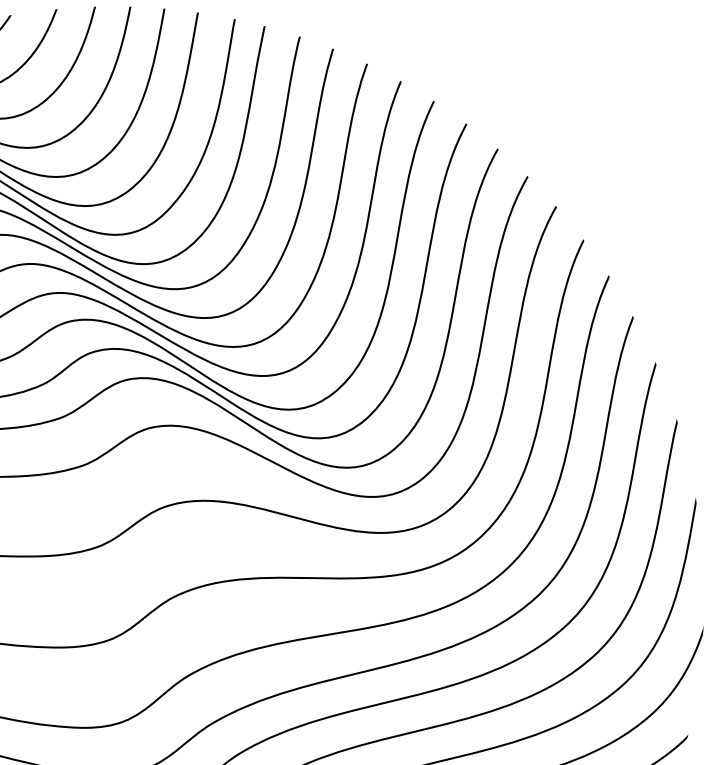
What is process mining?

Understanding process mining

Process mining is a technology used to model, analyze, and optimize business processes. It uses the object and event data that is generated as work flows through your transactional systems (for example ERPs or CRMs) to create an accurate, real-time picture of your as-is business processes, including all the variants, bottlenecks, and value opportunities you might not know existed. Think of it as an MRI for your business.

With process mining solutions you can dive deep into process analysis, understand root causes, monitor conformance and compliance, benchmark performance and take action to uncover value and drive optimization.

Leading process mining solutions go even further and allow you to analyze inter-process relationships, correlations, and dependencies, so you understand how an action in one process can impact operations both upstream and downstream.

And the best part? Process mining solutions sit on top of your existing systems, no rip-and-replace required. Instead, they create an additional layer across your system landscape where data and knowledge comes together to better orchestrate how your Finance department runs.

So what does it look like in practice?

Let's take Procurement as an example.

If a material is unavailable or prone to late deliveries, these issues have an impact further down the line on production timelines and order fulfillment. Too often, companies must expedite shipping both on the procurement and the fulfillment side to meet customer demands, which creates significant incremental costs. There are many reasons why this can happen — specific issues with a supplier or plant, for example, or simply inaccurate lead times. If you can find the root causes at scale, you can optimize your procurement process for resilience and flexibility, and ultimately drive tangible cost reduction and cash cycle acceleration. And this is just one example.

Complementary technologies

Process mining is plenty powerful by itself — but combine it with other technologies like Task Mining or Automation and that power is multiplied.

Task Mining

Task Mining technology allows businesses to capture user interaction or desktop data to analyze how people get work done, and how they can do it even better. When used side-by-side with Process Mining, Task Mining gives enterprises the most complete view of how their processes run — including all the steps that happen outside of major systems, like checking an email or consulting a spreadsheet.

These insights into daily work at the micro and macro levels reveal value opportunities that would otherwise remain hidden. For example, a step where an employee wastes time copying information from one application to another. This reveals completely new ways of optimizing processes and relieving employees of low value, repetitive tasks.
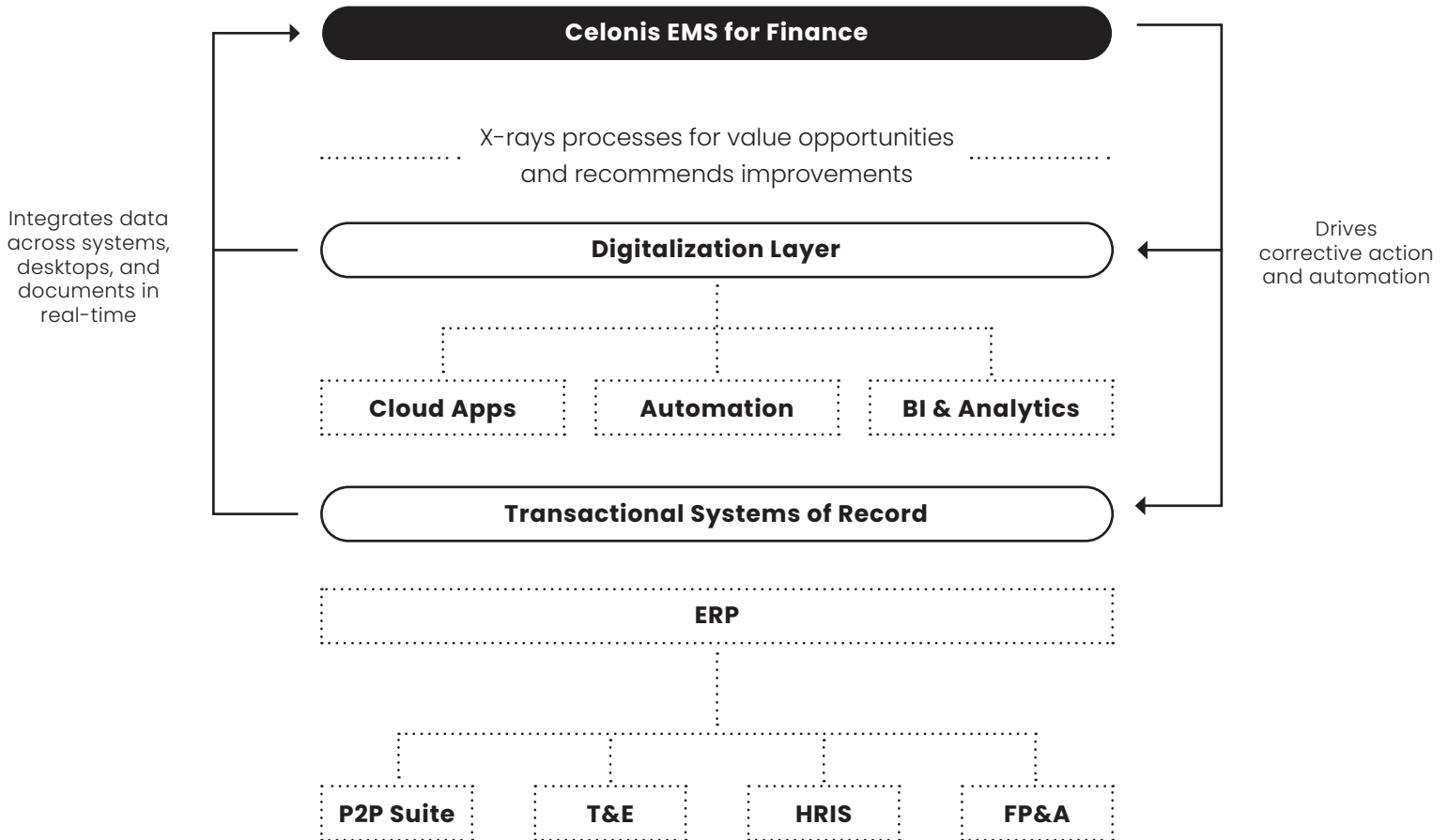
Automation

Armed with the knowledge from process mining and task mining, you can use automation to make work more efficient. For example, you can set up automations to remove order blocks under a specific cash amount or create alerts and automated emails to follow up on customer invoices that are at risk of becoming late payments. Returning to our example of an employee copying information, you could set up an automation to take on that task, so the employee can focus on more value-add activities.

From insights to targeted action

A solution like Celonis, that offers you all three — process mining, task mining, and easy-to-setup automation capabilities — enables you to drive rapid impact across the Finance function. You can think of it as a one-stop shop to understand, orchestrate, and continuously optimize your Finance processes.

How Celonis augments your existing Finance tech stack

Celonis EMS for Finance

X-rays processes for value opportunities and recommends improvements

Digitalization Layer

| **Cloud Apps** | **Automation** | **BI & Analytics** |

Transactional Systems of Record

ERP

| **P2P Suite** | **T&E** | **HRIS** | **FP&A** |

Integrates data across systems, desktops, and documents in real-time

Drives corrective action and automation

Functionalities and benefits

Let's take a look at what you can do with process mining.

Transparency and insights

—— Discovery

- Your analysis starts with the image of your as-is process. Not as people think it happens, not as it should happen, but the actual picture of what goes on in your business.

- It gives you the information to understand your processes and provide your teams with an objective view on hidden value opportunities. This, in turn, creates a data-driven common ground to discuss strategies and next steps.

- Process mining reveals relationships and dependencies between processes. When you're dealing with siloed systems and under-communication between departments, this can be a game-changer to move the needle on your most pressing objectives.

—— Standardization and Benchmarking

- Drill down into your processes to compare performance across teams, plants, countries, business units, or anything else that's relevant to your company.

- Find the best ways to standardize and streamline your processes, to drive efficiency, resilience, and reliability – even in times when these attributes are in short supply.

—— Conformance and Compliance

- Identify and compare compliance violations in your processes (such as skipped order approvals) to the ideal path and accepted paths

- Understand how compliance violations impact KPIs and performance

- Find the root causes to understand how these violations occur, so you can take steps to prevent them and establish and ensure best practices are adhered to.

—— Monitoring

- Keep an eye on your process performance all in one place in near real-time and compare against historical data.

- See if your process runs smoothly and follow the progress of optimization initiatives and their impact on your performance metrics

- Keep your company informed with highly specific views for different functions, levels and business areas.

- Create common ground for understanding processes, value opportunities, and next-best actions.

—— Digital Twin and Simulation

- Find the highest-impact opportunities to drive fast ROI.

- Get recommendations on next-best steps, low-hanging fruits, and automation opportunities.

- Calculate the impact of recommended actions to prioritize optimization efforts.

- Understand risk and impact to make informed decisions when driving your strategy.

Execution

—— Automation

- Set up automations such as Celonis Action Flows across systems and applications to act on value opportunities when they arise, based on rules that you define to fit your company's needs.

—— Alerts and AI

- Get recommendations for next-best actions and trigger task assignments or notifications when certain criteria are met.

- Set up alerts that get triggered based on your business rules — when approvals are required, SLAs are breached or high-priority invoices come in, for example

Drivers for process mining adoption

Cost reduction, free cash flow increase, productivity acceleration

In times when cost saving as a priority is on the rise, companies are adopting process mining because of the technology's ability to help companies reduce costs, increase free cash flow, and accelerate productivity. There is no other technology that comes close in its potential to unlock significant value opportunities for the business.
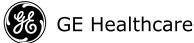
Celonis has a track record of delivering against Finance objectives

Improve Cash Flow	Reduce Costs	Accelerate Productivity
Accelerate AR collections Streamlione and intelligently prioritize collections based on data-driven insights	**Prevent duplicate payments** Examine historical & open invoices for similar fields to identify and flag potential duplicates	**Cut down AP throughput time** Streamline common AP actions – like GR follow up – that delay invoice processing
Optimize payment terms Purchase with the most favorable payment terms to ensure optimal payment time	**Combat excess spend** Eliminate contract leakage and analyze spend to create new contracts	**Reduce PR-PO discrepancies** Simplify procurement & detect discrepancies by matching against the master data
Prevent early payments Identify payment term mismatches in AP that unnecessarily drive down DPO	**Minimize bad debt expense** Reduce bad debt by using real-time, data-driven credit limits to assess credit risk	**Shorten dispute cycle times** Accelerate dispute discovery through data-driven identification of likely disputes

Specifically, companies are considering advanced process mining solutions like Celonis, because they provide:

———— **360° visibility** Process mining provides the Finance function with the transparency it needs to move the needle on key objectives

———— **Fast results** Enterprises adopting process mining start delivering impact in as little as four weeks

———— **Impact without disruption** Process mining is an unobtrusive technology that enhances your tech stack, without disrupting daily business or adding complexity

Celonis delivers tangible value for customers

Reduce Costs	Optimize Cash Flow	Accelerate Productivity
T · ·	accenture	INGRAM MICRO
$66M saved by optimizing P2P steps	**$35M** annualized working capital improvement	**15 %** reduction in order cancellations
SIEMENS	GE Healthcare	sysmex
$15M saved anually through automation	**$1.3bn** one-time free cash flow boost	**60 %** reduction in Past Due AR
Johnson & Johnson	MERCK	vodafone
20% improvement in manufacturing lead time	**$100M** in AR streamlined for improved DSO	**85 %** touchless invoice rate up from 13 %

www.celonis.com/customers to learn more

Moving the needle on key Finance priorities – process specific use cases

By this point, we've established that process mining can unlock the hidden value opportunities that no other technology can help you identify or access. And the results above speak for themselves. Now, we take a closer look at what this could look like for your business, focusing on a use case for each priority – improving cash flow, reducing cost, and accelerating productivity.

Accounts Receivable: reduce payment term lengths to improve cash flow

The problem: There is no practical way to analyze at scale how deviations from your standard payment terms arise in your Accounts Receivable (AR) operations. But any extra day that a customer has to pay you is ultimately impacting your cash flow.

The solution: Celonis identifies payment terms that deviate from the standard.

How it works: Looking at the AR process with process mining, Celonis can find the root causes of why invoices with non-standard payment terms are distributed and driving up overall payment time in the process. Based on these insights, Celonis helps customers by pinpointing loopholes and recommending actions to address structural misses.

The result: Celonis helps companies understand their payment term complexity and pinpoint opportunities to ensure compliance with standard terms and flag instances of deviations, ultimately leading to a shorter cash conversion cycle. This visibility would be virtually impossible without process mining.

Procurement: Reduce excess spend to reduce cost

The problem: Transactional purchasing systems are not built to ensure that you take advantage of pre-negotiated rates. They are simply a platform that enables you to buy from your suppliers. To make the most of your negotiated terms, you must often jump between various applications to track records, contracts, and offers. This takes up time that could be spent on other value-add activities. And even if you work your way through a mountain of documents, you might still miss something.

The solution: Celonis uses Machine Learning to read through existing contracts and recommend which one to use with the best price by vendor.

How it works: Celonis looks at your process data to analyze spend and identifies the most impactful materials and categories in which to create new contracts. If a purchase needs to be made, Celonis suggests contracts to use based on requested materials.

The result: Your buyers have more control over their spend because Celonis helps you ensure that they use existing and relevant contracts. And you unlocked an untapped cost-saving opportunity.

Accounts Payable: Reducing throughput time in the payment cycle to accelerate productivity

The problem: Transactional systems aren't designed to reduce processing time, merely to process invoices and ensure suppliers are paid. This often results in wildly varying processing times and an overall inefficient payment process, with many manual touches.

The solution: Unlike transactional tools, Celonis uses process mining to go through all the different ways that your organization processes invoices, and determines which steps or variables impact your throughput time the most.

How it works: Celonis identifies patterns and finds variables that are most likely to drive payment blocks or other lengthy Accounts Payable (AP) processing steps. Then it determines the root causes driving high manual touches and processing times, and recommends the best actions to reduce manual touches to shorten AP processing time.

The result: Your AP teams need less manual touches to complete the payment cycle, meaning they have more time to focus on value added tasks. And you have an overall more efficient AP process.

These use cases demonstrate how impactful process mining can be for the Finance function and what makes it so different from other technologies. And there are many more.

You can use process mining across your organization, across industries, systems, functions, and processes. Within Celonis there are also specific apps, designed to tackle value opportunities inside your Finance processes such as credit blocks or duplicate payments.

Hidden value opportunities in core processes can drive cash impact

Accounts Payable	Accounts Receivable	Procurement
Duplicate Checker	Collections Management	Open PR Processing
Invoice Ingestion	Dispute Management	Open PO Processing
Parked & Blocked Invoices	Credit Management	Inflation Monitor
Payment Term Checker	Cash Applications	Sustainable Spend Management
Currency Checker		Supplier Governance

Making the business case for process mining for Finance

After hearing about the advantages of process mining, it is time to develop your business case.

There isn't a one-size-fits-all approach to building a business case. But there are some questions that you should cover:

——— Why should you invest in this project?

——— What happens if you don't do this project?

——— What is the expected outcome, the expected impact?

——— How long will it take?

——— How long until you expect ROI?

——— Is this a one-off project or are you looking to scale?

To help you find answers to these questions, we will look at a typical path to value.

Your path to value

We've defined a three-step framework to help our customers realize value as quickly as possible. It's based on more than a decade of experience from thousands of implementations and deployments across industries, supported by an ever-growing pool of pre-built apps for the fastest time-to-value.

The three steps are: identify, frame, and realize.

Let's dive into each of them.

1— Identify

This step is about one thing: Creating the as-is image of your process to spot value opportunities.

Traditionally, creating an image of your process required manual workshops, talking to various stakeholders, and collecting data from a range of sources. This traditional approach does not deliver results at the speed today's businesses need. Additionally, it provides a biased, static, and often fragmented view, which is already outdated by the time it becomes available. As a result, your business risks missing out on hidden value and losing money.

Process mining eliminates these time-consuming steps and, in contrast to classic human-driven process discovery, delivers an unbiased, data-driven process map. Further, platforms like Celonis make it easier than ever to connect source systems to process mining applications.

The result is a fast, objective, and accurate view of a company's as-is processes, including the untapped value that's waiting to be unlocked.

To help you identify the value hidden in your processes, Celonis has created the Value Discovery App.

The App scans your processes to find not only value opportunities but also their root causes, and presents you with a comprehensive list of expected and (often surprising) findings. And as a cherry on top, it also gives you an estimate of the value that you can unlock in each opportunity.

2— Frame

Once you've found all the hidden value opportunities, you can prioritize them based on impact, effort, and speed. In short: where can you drive the biggest impact at the highest speed, with the least effort?

The Value Discovery App can prioritize the identified opportunities based on monetary impact and time-to-value. Important to note: the benchmarks the app uses are already industry-specific, but they can be individually adjusted for your scenario.

The result of this step: a list based on business impact, prioritizing use cases where you'll get the highest return with the least effort, as quickly as possible.

3— Realize

Now that you know where to start and what to fix – it's time to reap the benefits. To help our customers realize value and drive change, we've created purpose-built apps for the most common use cases.

Each one of these apps are built to do three things:

——— They act on value opportunities that otherwise fly under the radar. Take the example of Open PR Processing in Procurement, which identifies instances of contract leakage and ensures every PO makes use of an existing contract where applicable.

——— They operate flexibly, supplementing your existing systems with a lightweight non-disruptive solution. These apps don't require any changes to your existing tech stack.

——— And they deploy at speed, getting you up and running in a matter of weeks or even days with immediate ROI. For example, you can have our Payment Term Checker live in 5 days, including set up, validation, basic customization, and initial enablement.

Bonus step: Scale

So far, we talked about getting started by making the business case for process mining. But the power of process mining lies not in what it can do for one use case, but in its unlimited potential to drive continuous improvement and value realization across the business. Making the business case is step one on your process mining journey. Afterwards, the sky's the limit.

Conclusion

Process Mining presents a huge opportunity for Finance departments to drive rapid impact on key business objectives. Deploying the technology across your organization will enable you to identify hidden value opportunities within processes like Procurement, AP, AR and more. Drive cost reduction, increase free cash flow, and boost productivity — enabling your Finance organization to deliver ever faster results against your strategic goals.

Curious to see how process mining can help your Finance org?

Get in touch

celonis