celonis

Power up Procurement

How to optimize your department
using process mining

Contents

The problem with Procurement

New expectations

Factory shutdowns, surges in demand, stockpiling, panic buying...

During the COVID-19 pandemic, supply chains came under pressure as never before, and Procurement departments around the world were forced to respond, showing unprecedented agility and flexibility.

While the pandemic is beginning to recede, the supply chain pressure persists. So what happens next? "C-suite executives have seen Procurement take a seat at the command center table and help mitigate the crisis," notes a recent report from consulting firm Kearney. "Now, they are looking more closely than ever at the function's activities and responsibilities."

And there's definitely room for improvement. Despite years of multi-million-dollar investment in technology – eProcurement suites, spend analytics, eSourcing, e-invoicing – productivity and output are still running far below expectations.

Is your Procurement department working at full potential?

Some companies have a lot more room for improvement than others. Look no further than the State of Business Execution Benchmarks Report 2021, which surveyed more than 2,000 leaders on how their organizations are running.

We looked at the maximum level of performance an organization can achieve with its available time and resources – what we're calling execution capacity – and it's clear there are huge gaps between the best and the rest.

Here's how the average and top-quartile companies are performing across Procurement's three most actively tracked KPIs:

Operational Cost Per Purchase Order (PO)

The average company spends upwards of $15 to process a single PO, while the most efficient organizations spend just $1.35

$15   AVERAGE

$1.35   TOP PERFORMERS
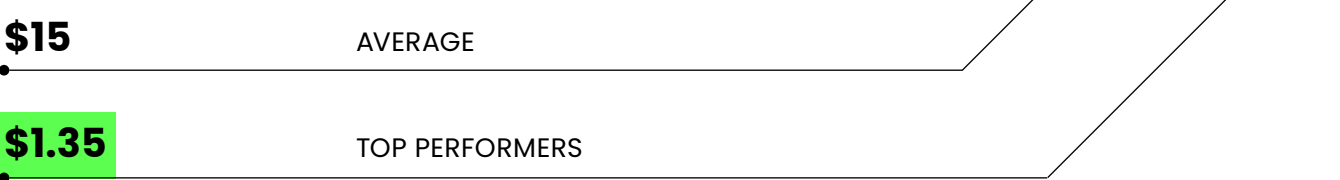
Supplier Delivery Reliability

Average companies' supplier deliveries are only on time 54% of the time, while best-in-class organizations reach 83%

83%   TOP PERFORMERS
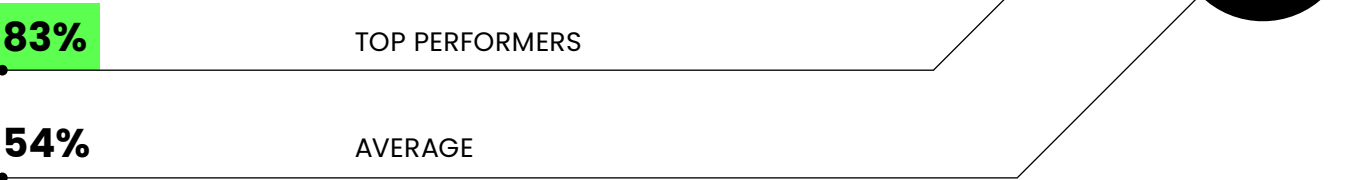
54%   AVERAGE

Spend Under Management

The average company influences 47% of its total spend, while top performers achieve 75%

75%   TOP PERFORMERS

47%   AVERAGE

[1] https://www.kearney.com/covid-19/article/?/a/covid19-batters-the-world-and-procurement
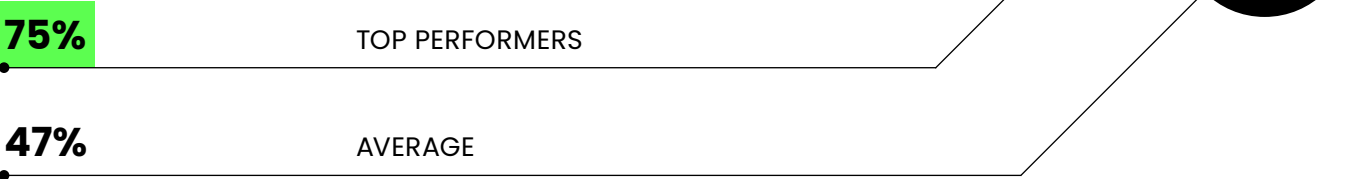
It ought to be so straightforward...

It sounds so simple

A purchase request comes in. A PO is created and sent to the vendor. The goods arrive and so does the invoice. Payment is made. Everyone's happy.

But as we all know, this is often not the case. The truth is, there can be a whole world of pain along the way.

Every Procurement department wants to cut costs, optimize spend under management, and maximize supplier reliability. But our survey uncovered inefficiencies in key areas that are not only costing your departments money but also causing serious challenges to your ability to serve the business.

Here are some of the challenges holding Procurement back...

Too many touches

The 'perfect PO' has been a long-held dream of Procurement.

But the fact is that POs often need manual rework and other changes for a whole bunch of reasons, including issues with master data, resulting in the wrong price or quantity on a PO, or incorrect payment terms, for example.

And every time you touch a PO, the cost goes up – which is likely why your POs may be costing you more than $15 a pop, as our survey showed, while other organizations are spending less than a tenth of that.

Out of (your) control

How much are you influencing spend before money goes out the door?

The more control you have over spend, the more you can direct it strategically. But as *Top Gun* fans know, there's always at least one maverick in an organization.

Because they think they know best (or maybe they just "feel the need for speed"), maverick buyers like to order goods outside of the proper channels, rather than selecting a standard vendor with pre-negotiated terms. This can cause all kinds of compliance issues as well as meaning you'll likely end up paying more than you need to.

Maverick buying is closely correlated with free-text requisitions in general, which, because they're manually created, have a greater potential to be wrong, and come with a higher cost of processing. Meaning more potential for headaches.

Sorry, it arrived when?

It was supposed to get here yesterday. Tomorrow. At some point in the indefinite future.

Deliveries that don't arrive at the arranged time are a constant source of stress, and if only half of your goods are getting to your organization when they should, there are all sorts of implications for the business.

Early deliveries lead to additional inventory holding costs, to say nothing of the inventory impact on working capital. And late deliveries result in the need to create expensive inventory buffers, which are yet another added cost.

Why is this happening?

Procurement teams say they are held back by...

41.1%
Lack of executive sponsorship

40.7%
Fragmented data landscape

39.3%
Broken or inefficient processes
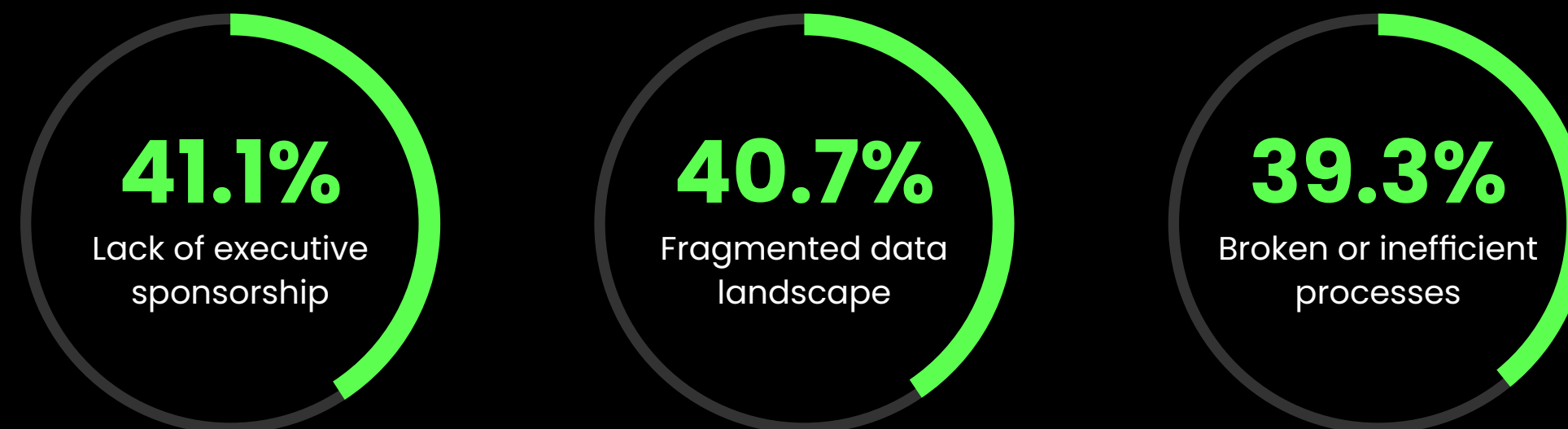
Procurement teams are not executing processes at full capacity because they're likely running them across a rigid and fragmented technology landscape. Remember all that new technology we mentioned earlier? That's part of the problem. On the flip side, a lot of businesses are still trying to run 2020s business initiatives on 1980s business infrastructure.

It's like trying to stream music on a Sony Walkman.

Those same rigid and fragmented systems make it difficult to get end-to-end visibility, identify problems, and understand why they're happening – let alone actually fix them. And that's why many Procurement departments are struggling to keep up with the top performers.

You don't have to live like this

Imagine for a moment that Procurement teams had superhero powers. Using your X-ray vision you could see all these processes in action – in detail and in real time. And you could then come to the rescue of your ailing systems by finding and fixing the inefficiencies getting in the way of performance.

Or even let them fix themselves...

The answer
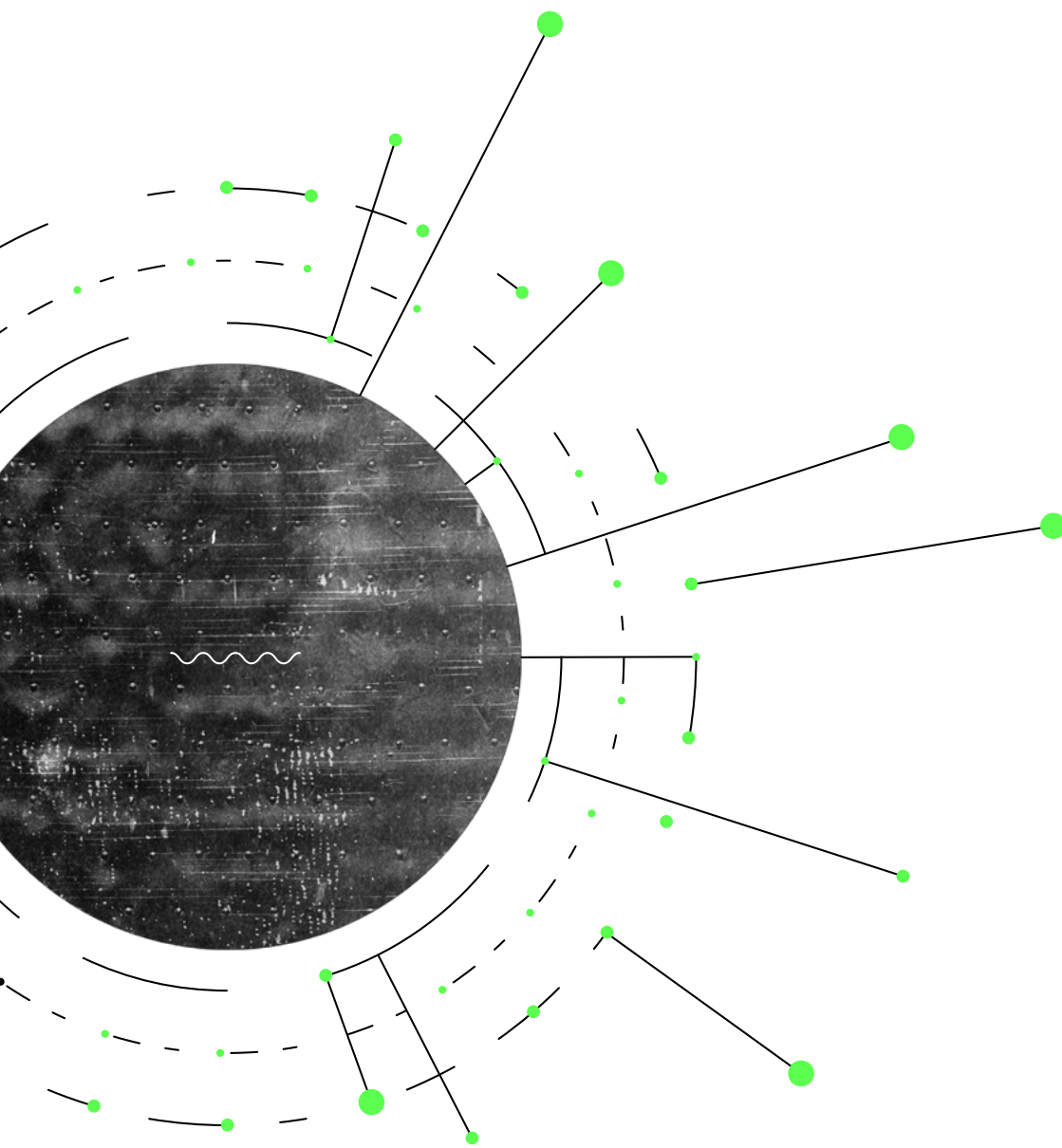
Start with process mining

You may well have heard about [process mining](#).

It's a tried and tested technology that many leading companies in every sector are already using. It's easy to deploy and use. And it's a fast, accurate and cost-effective way to discover the issues in your Procurement processes and why they're happening.

Process mining gives you a **100% objective X-ray view** based on the data in your IT systems.

That means you see a living, breathing, moving picture of what those processes actually look like in real time – and where the inefficiencies lie.

And because process mining can quantify the financial impact of the gaps in your processes, the value of taking action is immediately obvious.

Continue with Execution Management

Once you find the gaps in your system, you need to fix them – day in, day out. We call it **Execution Management**.

It's the daily discipline of finding and fixing the gaps in your processes using data, intelligence, and action.

Sounds like hard work?

Not really.

Meet the Celonis Execution Management System

The Celonis Execution Management System (EMS) provides you with a platform and a full suite of apps to completely change the way your company runs.

It takes action by automating routine decisions or making sure the right people are doing the right things to help the process flow smoothly and the business execute better.

With it, Procurement teams can tackle their biggest challenges and optimize both processes and execution. The EMS ensures your Procurement Specialists are working on the purchase requisitions and POs that have the biggest impact on outcomes, and uses data to make recommendations and automatically fix gaps as they occur. There's no need to change or swap out the underlying transactional systems – the EMS operates as an intelligent layer on top, extracting and analyzing data in real time.
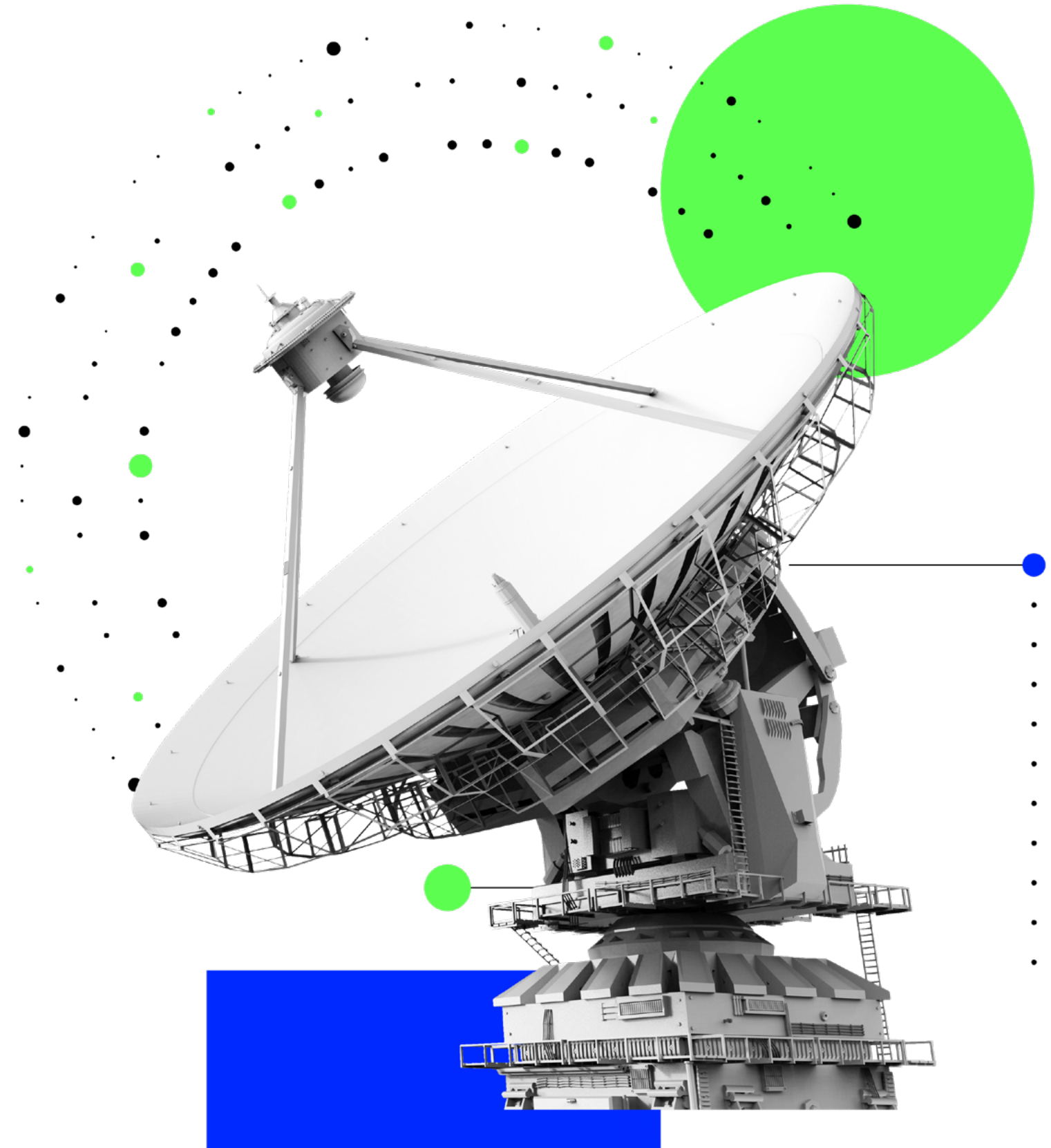
How it works in five steps

From process mining... to intelligent execution

① Extract data in real time from multiple data sources ranging from your ERPs to your Excel spreadsheets to get a living, breathing, moving X-ray of your end-to-end Procurement process.

② Benchmark regions, business units, buyers and requisitioners against each other to identify process patterns, gaps and best practices across your business.

③ Monitor your process conformance against best-practice models and identify inefficiencies, why they're happening, and the impact they're having on the business.

④ Based on machine learning and execution best practices, Celonis suggests the best steps to eliminate the most impactful gaps and help maximize process performance.

⑤ Celonis takes action in a number of ways, both by automating real-time actions across systems, as well as deploying the right people to remove gaps when manual intervention is required.

The most common Procurement use cases

Procurement can be seen as overly complex and slow. Often people just don't want to wait around for things to be done the proper way — their project. And as we've seen, there are all kinds of inefficiencies lurking within its processes.

And that's where Celonis comes in. It can drive speed and simplicity and increase efficiency using real-time data, machine-learning intelligence and automation.

Let's see where it can really make a difference in the key areas of costs, spend under management and supplier reliability...

Cutting down manual rework

OK, so your no-touch rate is only 13%. Why is that? Are there maybe cases where your master data is out of date, driving unnecessary price changes? Are there data entry errors that are causing you to reissue POs? Are there currency changes that haven't been accounted for? Do you have vendors who aren't delivering the way you would expect them to or who aren't providing you with the necessary documents?

Celonis has the capability, through process mining, to surface all of this information with extreme granularity, so you can see not only exactly where the problems lie, but also the impact they're having.

And there's more. Celonis pinpoints the process gaps with the biggest impact on rework and manual handling – such as incorrect prices or quantities. It then leverages machine learning and automation to determine the appropriate values and automatically make the updates.

Keeping a lid on material prices

Here's a great example of how Celonis can really make a difference. First it will identify when a price has increased and calculate its impact. It will then find specific vendors who are causing price increases. And finally, it will take action on opportunities to lower costs, detecting and continuously adjusting to favorable contract prices in every PO.

Celonis can also automatically adjust for changes in quantity or address, the blocking or unblocking of a PO, and other parameters.

Increasing electronic POs

Maybe you have an EDI connection, but you're not using it when you could. Sending paper-based POs and scanning confirmations causes significant manual effort, potential quality issues and unnecessary delays. Celonis is able to automatically adjust the way orders go out and can suggest to sourcing managers that vendors who require a high amount of manual effort are switched to EDI.

Clipping the mavericks' wings

Remember our Tom Cruise wannabes and their free-text requisitions? Using machine learning, Celonis is able to spot instances of maverick buying within an organization and identifies repeat offenders – so you can intervene to preempt this from happening. Celonis will also automatically redirect free-text POs to a catalog item.

Controlling contracts

A lack of overview when it comes to contracts can also lead to increased purchasing spend. A company may be ordering the same materials from two vendors, for example, where one has no contract. Or it may fail to create new contracts for frequent purchases. Celonis identifies materials and vendors where contracts are underutilized or not used at all, and then proactively recommends an existing contract for the same material.

Ensuring on-time delivery

Even when on-time delivery is monitored closely by organizations, the focus is often on preventing late deliveries rather than preventing or minimizing the impact of early deliveries. But as we've already seen, early deliveries can have a significant impact on costs and working capital. Celonis helps to identify and understand the impact of early deliveries across all suppliers and orders, and allows you to minimize their impact by automatically delaying the baseline date of invoices that are received early with the deliveries.

But it's late deliveries that cause the biggest headache when it comes to suppliers. Celonis can identify persistent offenders and also notify Procurement if a supplier's delivery performance drops. Delivery dates are automatically adjusted depending on the issues that are detected.

Process mining in action
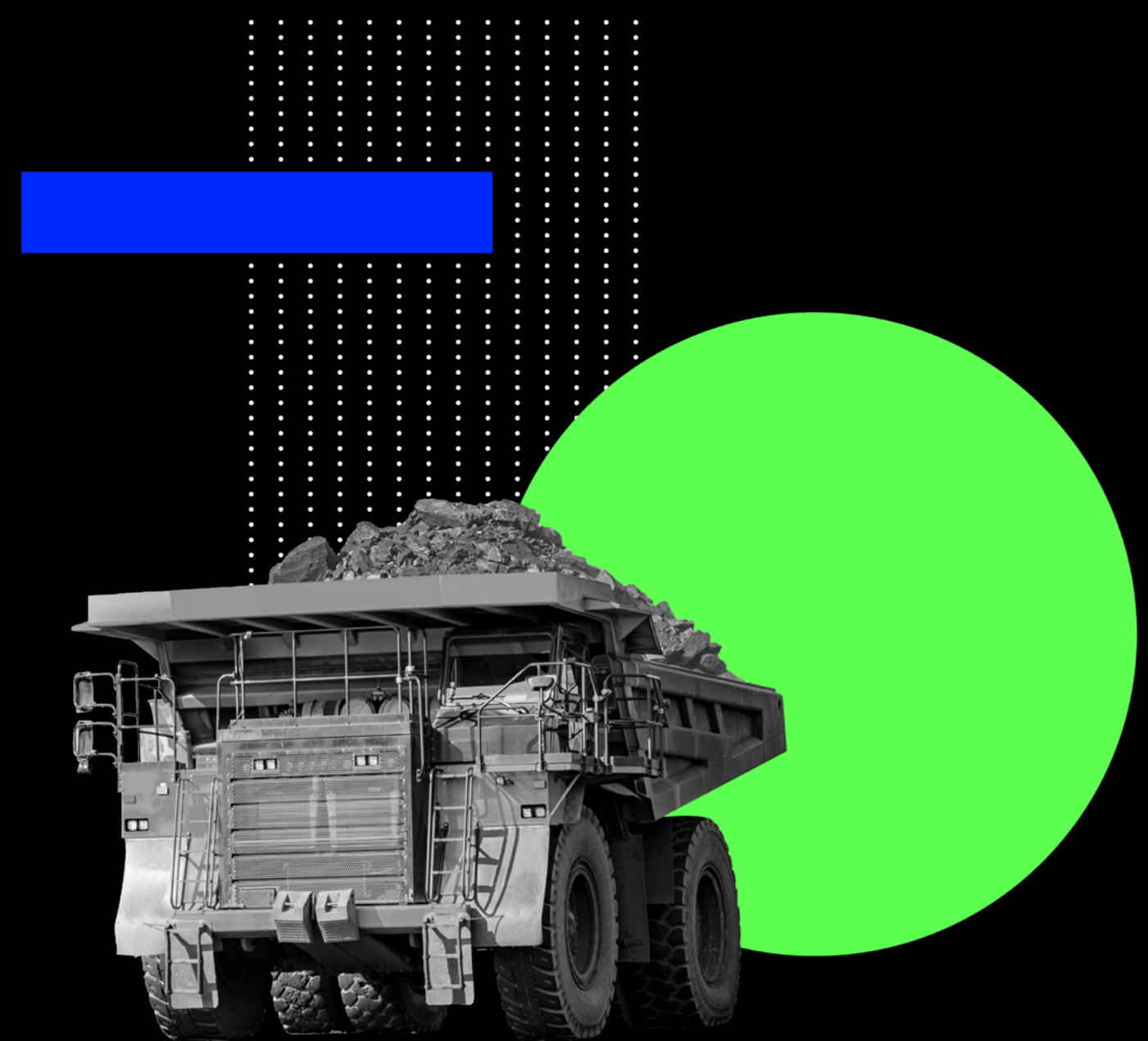
**Vodafone achieved
a 93% 'Perfect PO' rate**

The multinational telecommunications giant increased its 'Perfect PO' rate from **73% to 93%** in a year. They also reduced the cost of each PO by **11%** and improved their time-to-market by **20%**.

**Accenture delivers $35M
in working capital benefits**

The consulting champion's Procurement team delivers **$35M** annually in working capital benefits. Additionally, they cut the cycle time of request-to-order in half and reduced the time for invoice approvals by **30%**.

**TD Synnex reduced
P2P cycle time by 57%**

The IT distribution giant reduced its total purchase-to-pay cycle time by **57%** and the price change rate on POs by **27%**. They also increased the overall automation rate by **20%**.

"Celonis enables us to execute with the right rigor. We have cut the cycle time by 50%, and are delivering $35M annualized working capital benefits, just by having a very clear, transparent invoice approval execution process, for example."

– Kai Nowosel
Chief Procurement Officer at Accenture

It's time to give process mining a try

At its best, Procurement delivers real strategic value to an organization, while continuously reducing costs. Today, as businesses face an uncertain future, it makes more sense than ever to ensure your Procurement processes are fully optimized.

To do that, you need to find and fix the gaps in your processes using data, intelligence and action. The Celonis EMS uses process mining to find those gaps, and leverages AI and automation to fix them. It can mean the difference between being an organization that's merely average – or becoming a top performer, with a significant impact on the bottom line.

Maybe it's time you gave it a try. Can you afford not to?

Let's talk.

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Celonis believes that every company can unlock its full execution capacity. Powered by its market-leading **process mining** technology, the Celonis Execution Management System consists of a platform, a full suite of apps, and a developer studio for business executives and users to unlock their execution capacity and eliminate billions in corporate inefficiency.

Celonis has thousands of customers, including ABB, AstraZeneca, Bosch, Coca-Cola, Citibank, Dell, GSK, John Deere, L'Oréal, Siemens, Uber, Vodafone and Whirlpool. The company is headquartered in Munich, Germany, and New York City, USA, and has 15 offices worldwide.