

The background of the cover features a sleek, silver sports car in motion, with blurred wheels and light trails in shades of blue and green, suggesting speed and technology. A white curved line separates the top text area from the car image.

celonis

FRICTIONLESS FINANCE

3 Ways Finance Leaders are Accelerating
Performance and Driving Transformation

INTRODUCTION:

What is Frictionless Finance?

When you look at the way the CFO's priorities have shifted over the past 30 years, you see the story of a role that (like every other role) has had to adapt to the rise of new technologies. And not just once. With each wave of emerging tech that comes crashing down — cloud, mobile, big data, AI, IoT — finance leaders have to step up. The most significant way they've done this is by becoming the owners of Performance Management enterprise-wide.

Luckily, the tech revolutions of the past decades have also brought a new class of software to enable CFOs and Finance leaders to do this successfully, broadly known as Corporate Performance Management tools. From the original excel-based tools to today's cloud-based Financial Planning and Performance Management tools, finance organizations have embraced these technologies to measure organizational performance, manage progress against KPIs, and embed accountability into business operations.

In 2019, this evolution from “Business Partner” to “Performance Manager” is largely complete. When polled, most CFOs say their top priority over the next three years is Performance Management¹.



73%
of CFOs say
Performance Management
is their top priority

To use an analogy, if an enterprise were an automobile, the shift has put CFOs and finance leaders in the driver's seat, with their foot on the gas and the dashboard lit up in front of them. But the question is: **Is that dashboard enough?**

The ground is shifting under every company. Artificial intelligence is here. The threat of being out-innovated looms in every industry. Global policies create constant uncertainty. Our customers and our employees belong to a new generation whose needs and expectations are changing the rules of the game.

Against this complex backdrop, Finance is entrusted with broad initiatives like “business transformation” and “digitization strategies.” The business is looking to you to fuel transformation by removing operational friction and driving **agility, productivity, governance, and process standardization and optimization.**

¹ PwC https://www.pwc.fr/fr/assets/files/pdf/2018/01/priorites-2018-du-directeur-financier_eng.pdf

HOW CELONIS HELPS

VALUE ACCELERATORS



So it's not just about keeping the car on the road anymore; it's about being responsible for accelerating the car in the right direction. **It's no longer enough to just track performance; Finance is now responsible for *accelerating* performance.**

It's a new chapter in the Finance story, first as "Business Partner," then as "Performance Manager," and now as "Performance Accelerator."

This change has to begin within the Finance org itself. In that regard, we still have a lot of work to do. In a recent McKinsey survey, when asked how much ROI the Finance organization has achieved from digitization and automation in the past 12 months, only 5% said it was a substantial return².

But it doesn't have to be this way. At Celonis, as we work every day with some of the world's top Finance leaders, we've noticed that there are three critical levers that they need at their fingertips in order to accelerate performance in Finance operations. We call them Accelerators.

In this e-book, you'll see each of these Accelerators in action, and learn how you can use them to start your journey towards Frictionless Finance, with help from new process mining technology within the Celonis Intelligent Business Cloud.

Buckle up!



² McKinsey <https://www.mckinsey.com/business-functions/operations/our-insights/new-technology-new-rules-reimagining-the-modern-finance-workforce>

REMOVING FRICTION:

The “Discover, Enhance, Monitor” Approach

In the past, it used to be that simply having a dashboard that showed visibility into key metrics was enough for Performance Managers.

Today, the role of “Performance Accelerator” requires you to take on the additional responsibility of constantly removing friction from your operations over time. Do do this, you need a fast and effective way to **Discover**, **Enhance** and **Monitor** your processes with full transparency.

Developing this capability may seem like a daunting task. After all, Finance processes encompass multiple (often siloed) departments and take place across a variety of systems — and it seems like more are added to the mix every day. Because of this complexity, the most common way to reduce operational friction is to mount a one-off project that usually involves bringing in a consultant.



That’s what makes process mining technology so revolutionary. Imagine having a system that looks at your processes, across your entire digital footprint, and gives you an objective as-is visualization of the current state of your operations and not just a single process, every permutation that your process follows. Then, imagine your team is empowered with AI-based tools to turn the insights from that visualization into measurable enhancements to your processes — not just once, but on an ongoing basis.

That’s exactly what we’ve designed Celonis to do.

Today, our customers are using the Discover, Enhance, and Monitor capabilities of Celonis to deliver remarkable business value. Some examples include a 92% perfect PO rate, \$15M in annual savings from eliminating manual work, and 20% improvement in on-time payments.

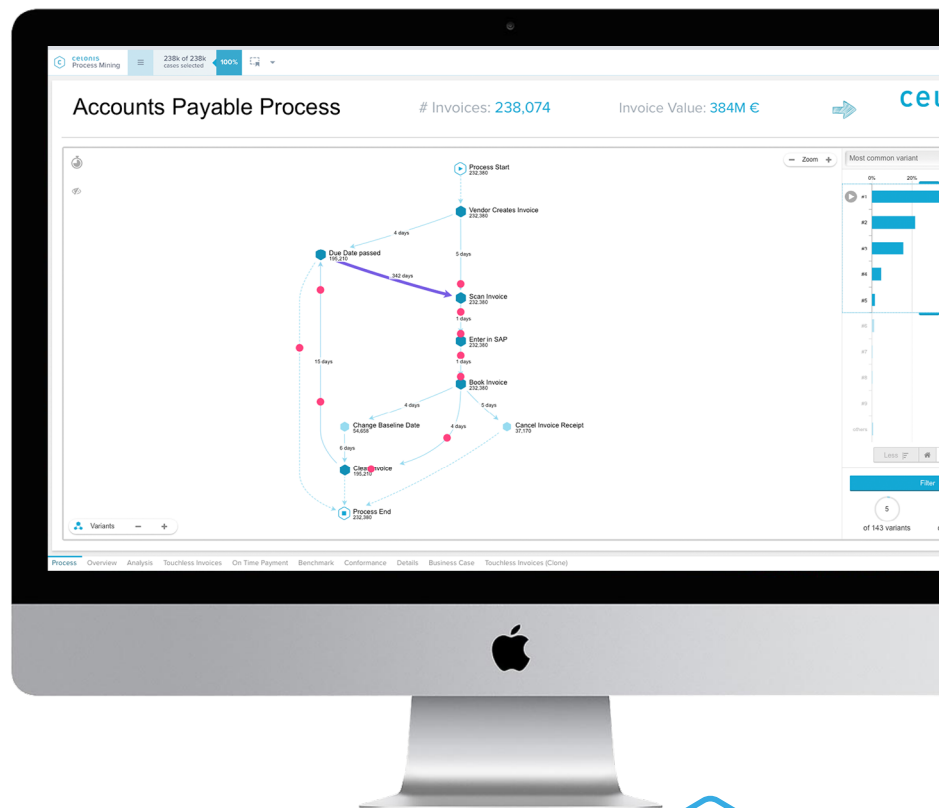
Discover

Let's take a look at each of these three capabilities in the context of Working Capital Optimization. A lot goes into increasing working capital, but for this example, we will focus on specifically how **Account Payable** can help by **paying invoices exactly on-time**. By eradicating early payments, you can improve working capital by keeping cash until the day it is due - And by preventing late payments, you can stop late payment penalties and possibly take advantage of cash discounts.

In the **Discover** step, you'll start by using **Event Collection** and **patented Process Mining algorithms** to connect Celonis Process Mining to your systems SAP, SAP Ariba, Oracle, Coupa, Microsoft Dynamics, JD Edwards, etc...), and extract the events in your Accounts Payable process. Celonis then leverages algorithms and hundreds of deployments on the Accounts Payable process (pre-built transformations and data model) to re-create the digital footprints of your accounts payable process in an objective visualization. You can explore the variations in your process to understand what causes you to pay late or pay early.

We are now in a position to see what drives our low-value orders. If 80% of invoices represent 20% of spend, it impacts not only Purchase to Pay, but also Accounts Payable."

NINA VAN KRIMPEN,
Purchase-to-Pay Subject Matter
Expert, AkzoNobel
20% improvement in
on-time payments



Capability: **Discover**

Value Accelerator: **Working Capital Optimization**

Process Improvement: **Pay Invoices Exactly On-Time**

Department: **Accounts Payable**

Then, use **Process Analytics** to identify the root causes to process issues and understand the specific actions that have the greatest impact working capital. Identify the invoices with largest amount that are paid early or late, determine the part of the business (product, vendor, region, material code, contract type, etc.), and the steps in the process that are causing this issue.

In the simple example below, you can see that whenever the delivery date gets pushed back for one particular vendor (Inés), we pay 33 days early for a total of 152 invoices - with a total value of 63.8 Million. We pay to the original date and do not take advantage of a later payment date due to the updated delivery date.

We were able to discover this issue because Process Analytics enabled us to objectively identify deviations from the standard process where the delivery date was extended, invoices were paid too early and even identify a single vendor that was responsible for a majority of these cases.

In this example, these invoices add up to 63.8 Million EUR annually. If we paid those exactly on-time (and not 33 days early), this action alone would free up 5.77 Million EUR in tied up capital. Considering our organization's Weighted Average Costs of Capital of around 7%, not paying those invoices too early would result in direct savings of 403,900 EUR - approx. half a million USD.



Enhance

Capability: **Enhance**

Value Accelerator: **Working Capital Optimization**

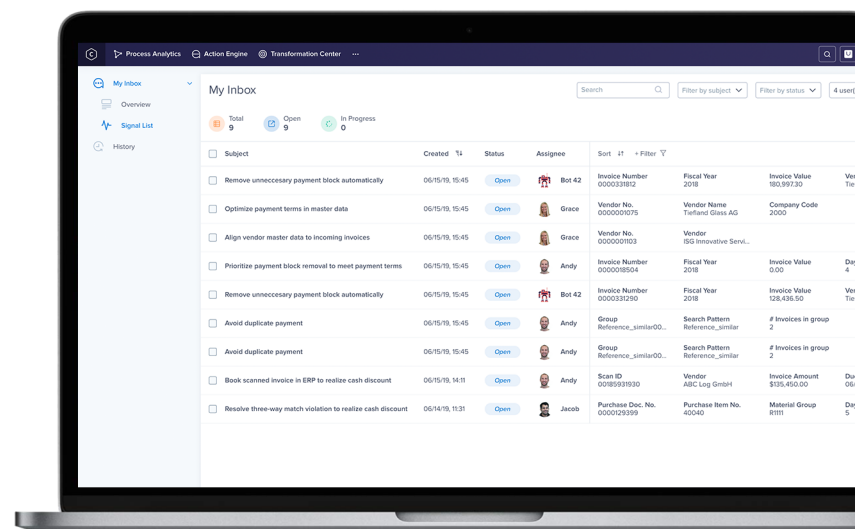
Process Improvement: **Pay Invoices Exactly On-Time**

Department: **Accounts Payable**

In the Enhance step, you'll take action to ensure that these invoices are paid exactly on time. You can use Celonis Machine Learning models to identify invoices that are likely to be paid too early or have a high probability of being paid late (and incur penalties). Next-best action recommendations are sent to associates to rectify these payment dates before the issue occurs, preventing the late/early payment from happening in the first place. You can further optimize working capital by recommending actions to payables associates when lucrative cash discounts should be taken depending on the current cash position so they can ensure timely payments on those invoices and capture those discounts. The Action Engine provides a simple interface for each worker on the team to know what invoices to pay at what time. In the example below, you can see a manager's view of the Action Engine, displaying actions for associates to take to increase on-time payments.

Vodafone "Process Mining is about empowering decision makers with analytics that will eradicate gut feel decision-making and enable the data-driven organization of the future."

ISRAEL EXPOSITO,
Head of SCM Data & Governance,
Vodafone PLC
Perfect PO Rate from 73% -> 92%



Additionally, Action Engine can kick off automatic actions, as evidenced by the "Bot" in the above screen-shot. Celonis allows you to break down the silos between your various finance systems in "Workflows," which helps you automate intelligent actions. For example, a payment system can be intelligently connected to the invoices system with automated Workflows that check the payment date on each invoice, confirm it with original PO, and set the payment date with the financial system to the exact due date. Now the underlying payment system is always operating on optimal payment dates.

Monitor

Capability: **Monitor**

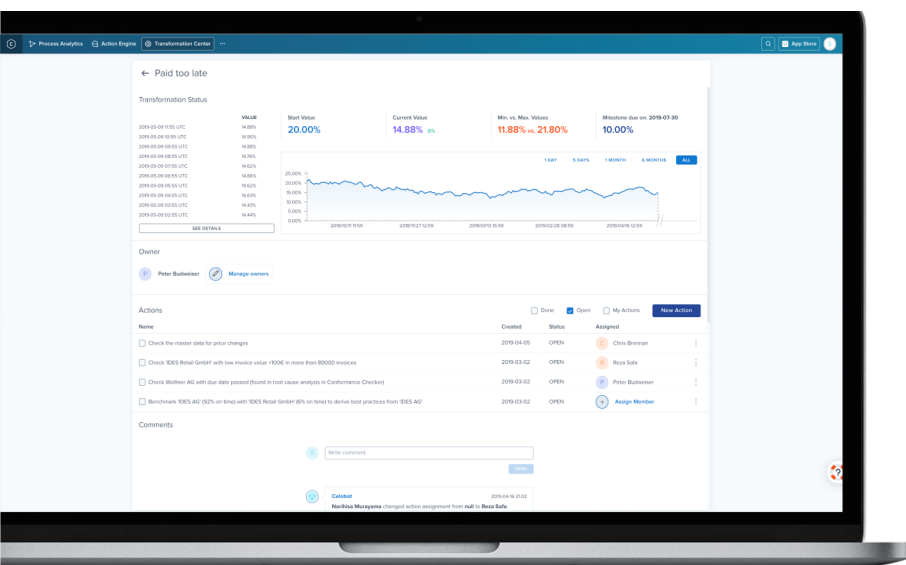
Value Accelerator: **Working Capital Optimization**

Process Improvement: **Pay Invoices Exactly On-Time**

Department: **Accounts Payable**

This approach brings individuals together, from associates to executives, to collaboratively take actions to improve on-time payments. You will have accelerated your operations to improve working capital. Now, in the **Monitor** step, you need to measure this improvement over time and report on the value that these actions are delivering.

The Celonis **Transformation Center** provides an objective view that quantifies the impact of this action. You can see how many invoices are paid exactly on time and the monetary value of those invoices. Furthermore, the actions taken and the individuals performing them are highlighted to show how their direct impact on your goals. In the example below, you can see the Transformation Center image of improving on-time payments by eliminating late payments.



"We are able to achieve annual savings of double digit millions as a result of the worldwide application of process mining."




Dr. LARS REINKEMEYER,
Global Process Mining Lead, Siemens
\$10M savings annually

With Transformation Center, it's easy to track your progress, tweak your approach, and set the stage for the next round of improvements for optimizing your working capital — so you can continue to accelerate your operations.

Our Finance Acceleration Solutions

Hopefully that example helped you get a quick look at the power of Celonis in achieving just one small goal (improving on-time payments) and driving value in one specific way (optimizing working capital).

But there are so many more ways that Finance organizations are driving value with Celonis Including:

FINANCE ACCELERATORS	WORKING CAPITAL OPTIMIZATION	OPERATIONAL DIGITIZATION	RISK MINIMIZATION
			
Functions Involved	Accounts Payable Accounts Receivable Treasury	Accounts Payable Accounts Receivable Procurement Order Management	Audit Accounting All operational functions
Process Improvements	<ul style="list-style-type: none"> • Optimize on-time payments • Optimize on-time (or earlier) receivables • Maximize Cash Discounts • Minimize late payment penalties • Reduce receipt disputes 	<ul style="list-style-type: none"> • Eliminate manual rework • Increase automation rates • Eliminate multi-app duplication • Accelerate valid change requests • Reduce cycle times • Optimize 3-way match rate • Improve on-time rates • Consolidate spending 	<ul style="list-style-type: none"> • Implement automated always-on audit • Reduce time-to-report • Maximize audit item pass rate • Eliminate maverick buying • Reduce manual overrides • Monitor process conformance continuously • Predict fraudulent behavior early on
Key Metrics	<ul style="list-style-type: none"> • Days Sales Outstanding (DSO) • Days Payables Outstanding (DPO) • Working Capital Requirement • On-time Payment Rate • On-time Receivables • Realized / Lost Cash Discounts • Paid Late Payment Fees 	<ul style="list-style-type: none"> • Operational Cost / Purchase Order • Operational Cost / Sales Order • Perfect Purchase Order Rate • Perfect Sales Order Rate • Cycle Times • Automation Rates • Manual Rework Rate • Time to market • Material lead-times 	<ul style="list-style-type: none"> • Compliance Item Pass Rate • Process Conformance Rate • Maverick Purchasing Rate • Number of Fraudulent Invoices • Number of Compliance Violations

Customer Success: Vodafone



Israel Expósito

Head of SCM Data Governance, Vodafone

As one of the world's largest telecommunications conglomerates, Vodafone owns and operates networks in 25 countries, and provides telecom and IT services to corporate clients in 150 countries. Vodafone's **source-to-pay process**, as part of the **procurement** function, heavily leverages process mining technology to identify process gaps and deviations from the standard procedures. Vodafone set up a big data process analytics team within source-to-pay to focus on "business excellence," according to Israel Expósito Peraza, Head of SCM Data Governance & Analytics at Vodafone. **Their main goal was to determine where inefficiencies and deviations are driving up costs or delivery times.** One of the complicating factors was the sheer volume of its purchasing operation — more than **800,000 purchase orders, 5 million invoices, and 40 million assets annually.**

Vodafone's big data team turned to the Celonis Intelligent Business Cloud, deploying process mining to analyze internal business operations based on event logs. Celonis reconstructs what happens in a business activity, such as creating purchase orders, learns how the operation works, and detects any hidden vulnerabilities, which empowers managers to quickly determine the root causes of the issues and take immediate corrective action.

By eliminating errors in its Procurement activities, Vodafone is maximizing catalogue buying and speeding the release of a purchase order to a supplier. "I like to use the **Perfect PO initiative** — right-first-time ordering — as the perfect use case for how process mining enabled us to transform the business to perform on a world-class level," Expósito says.

The goal of the project was to have 80% of its purchase orders produced without errors. "When we kicked off this initiative our Perfect PO ratio was at 73%. Only six months later we over-achieved the 80% annual target by hitting the 85% level." **With 85% of purchase orders completed correctly the first time around, Vodafone reduced the cost of each process order from \$3.22 per PO to \$2.85 per PO,** surpassing the Hackett Group's standard, leading to an **11% cost-savings improvement.** Time-to-market also improved by 20%.

What's Next?

At Celonis, our goal is to turn your business processes into extraordinary experiences — for your employees and your customers.

*Since our founding in Munich, Germany in 2011, we have been the pioneer in commercializing Process Mining technology, turning this emerging tech into an enterprise-ready solution for companies like yours. We're proud that global industry leaders like Vodafone, Siemens, and L'Óreal have embraced Celonis to transform their most critical and complex business processes. In 2018, we were excited to reach a \$1 billion valuation and **officially achieve "unicorn" status**. We also launched the **Intelligent Business Cloud**, a cloud-native version of our product that empowers our customers with AI-based tools to discover, enhance, and monitor business operations like never before.*

Our team's passion is helping companies like yours transform and become a Superfluid Enterprise. We're excited to connect and learn more. We're ready to chat when you are!

Contact us at: sales@celonis.com



Alex Rinke, Founder and Co-CEO

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The background of the slide is an abstract image of a sunset over a beach. The sky is a mix of blue, orange, and yellow, with a white curved line separating the top dark blue section from the lighter sky. The beach below has curved, colorful bands of yellow, orange, and red, suggesting sand and water. The overall mood is serene and modern.

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www.celonis.com/finance