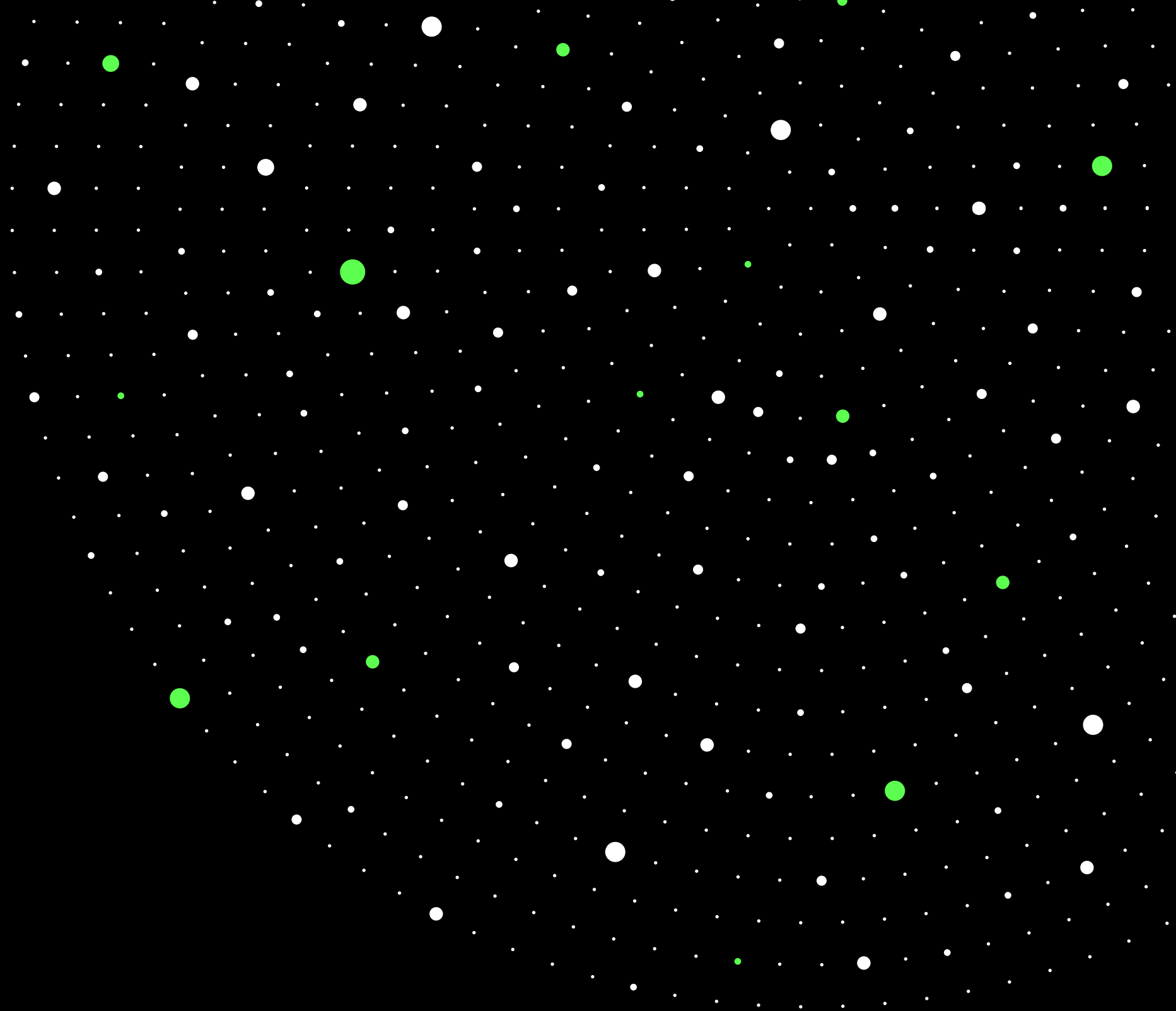




# Cash Is King

How process mining can optimize  
collections in Accounts Receivable



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# A/R in the spotlight

## It's all about the cash

Never before has Accounts Receivable (A/R) been such a focus for business leaders. Disruption caused by the COVID-19 pandemic has squeezed cash flows and put the spotlight on getting paid.

According to a recent report<sup>1</sup> by the Hackett Group, the top 1,000 US companies are currently sitting on a huge **\$390 billion** of working capital that could be freed up simply by optimizing A/R processes. It's no wonder accelerating cash collections has become a major priority. And as McKinsey<sup>2</sup> has pointed out, as we look to the future, company leaders have a rare window of opportunity to transform this focus on cash into long-term cash excellence.

<sup>1</sup> Hackett 1000: 2020 Working Capital Study

<sup>2</sup> McKinsey: Moving from Cash Preservation to Cash Excellence for the Next Normal

## Is your A/R department working at full potential?

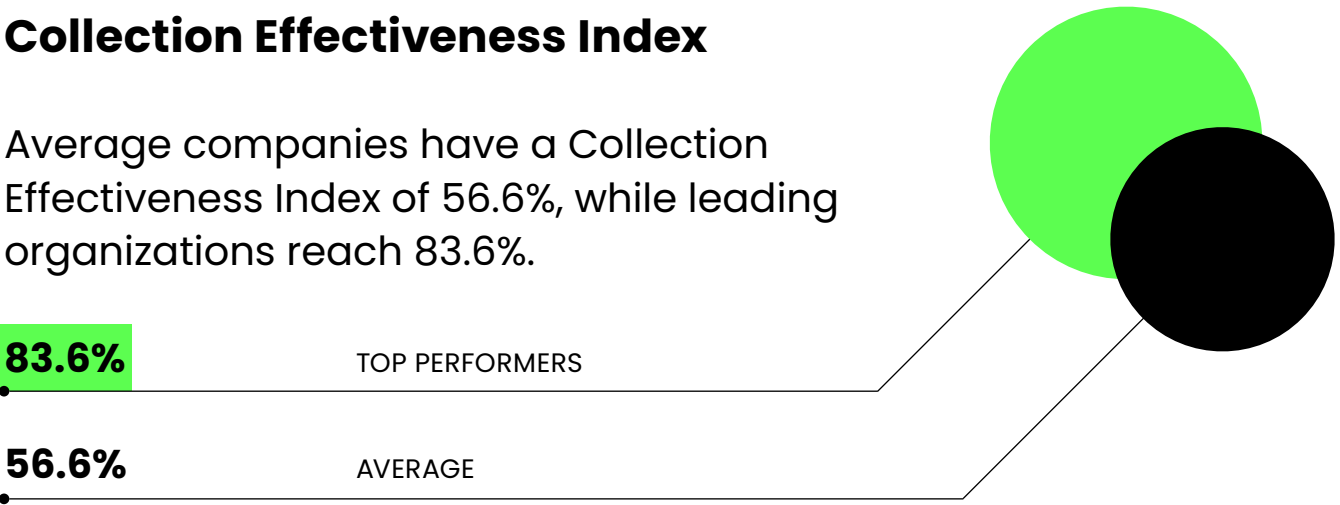
It's clear that some companies have a lot more room for optimization than others. Look no further than the [State of Business Execution Benchmarks Report 2021](#), which surveyed more than 200 A/R leaders on how their departments are running.

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 compare in A/R’s four most actively tracked KPIs:

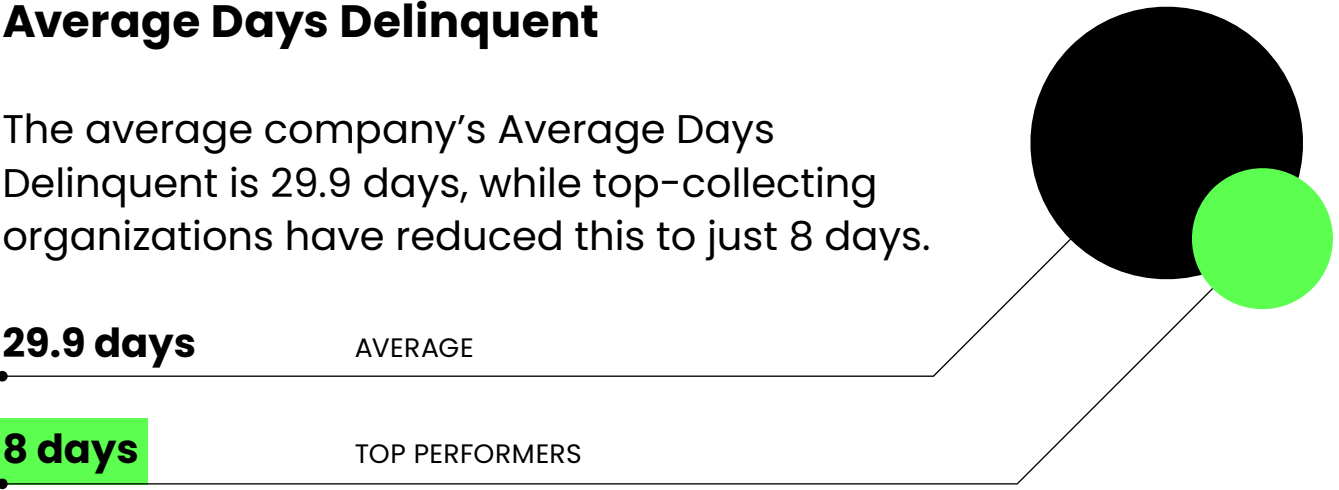
## Collection Effectiveness Index

Average companies have a Collection Effectiveness Index of 56.6%, while leading organizations reach 83.6%.



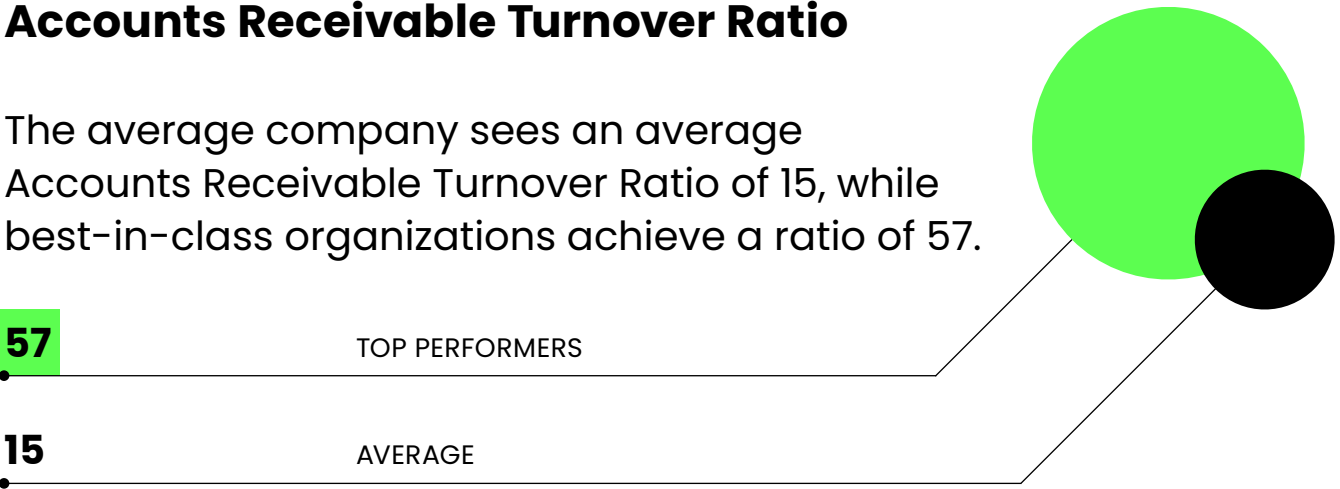
## Average Days Delinquent

The average company’s Average Days Delinquent is 29.9 days, while top-collecting organizations have reduced this to just 8 days.



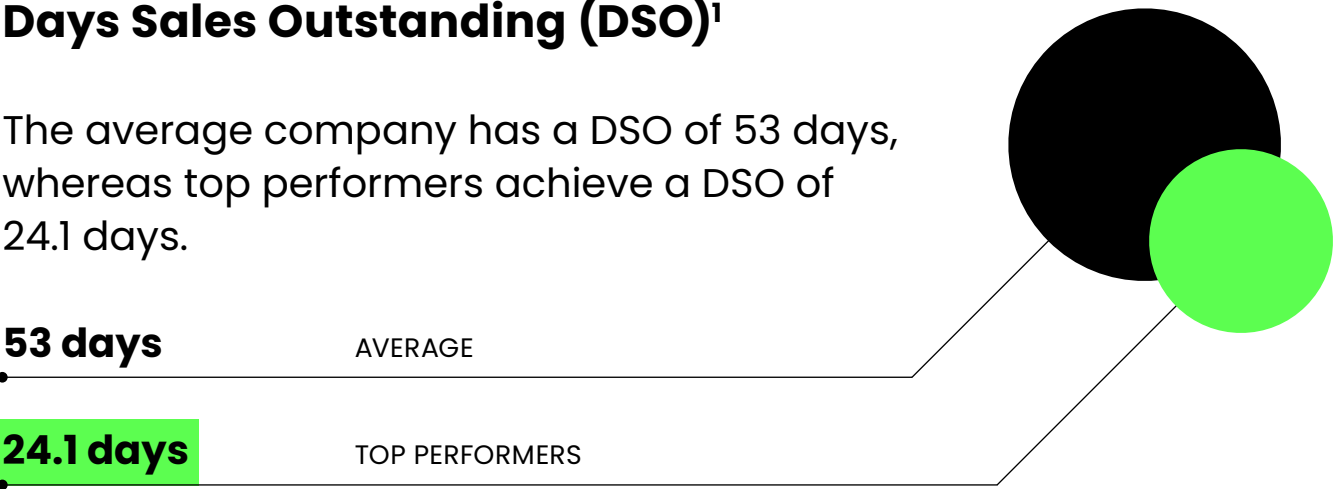
## Accounts Receivable Turnover Ratio

The average company sees an average Accounts Receivable Turnover Ratio of 15, while best-in-class organizations achieve a ratio of 57.



## Days Sales Outstanding (DSO)<sup>1</sup>

The average company has a DSO of 53 days, whereas top performers achieve a DSO of 24.1 days.



<sup>1</sup> JP Morgan Working Capital Index 2020.

# Most of the time everything is OK, but...

**It sounds so simple.**

**Send out invoices.  
Get the cash when it's due.**

**But you'd be shocked at how often that's not the case.**

Our survey uncovered inefficiencies in several key areas that are not only costing companies money but also causing serious challenges for A/R departments and customers alike.

## **The issues that are driving your A/R team crazy**

Debating a bill is never fun for either party. Yet our survey shows that more than a quarter of invoices **(27.4%)** are disputed. That means stress for collection specialists and a lot of extra manual effort. And it also means late payments and unhappy customers.

These disputes often stem from inefficient processes. And they can be avoided.

For example, according to the survey, less than half **(44.1%)** of invoices are right the first time. Why? Because whether an invoice has been created manually or automatically, it relies on source data. If that data is wrong or hasn't been updated, mistakes will follow.

Then there are the people who just don't pay when they're supposed to. A/R departments tend to spend a lot of time chasing these payments, but according to a study<sup>3</sup> by Sungard Corporate Liquidity, **88%** of organizations prioritize collections by age and value, without taking risk into account.

<sup>3</sup> Sungard Corporate Liquidity: Credit & Collections Global Benchmarking Study



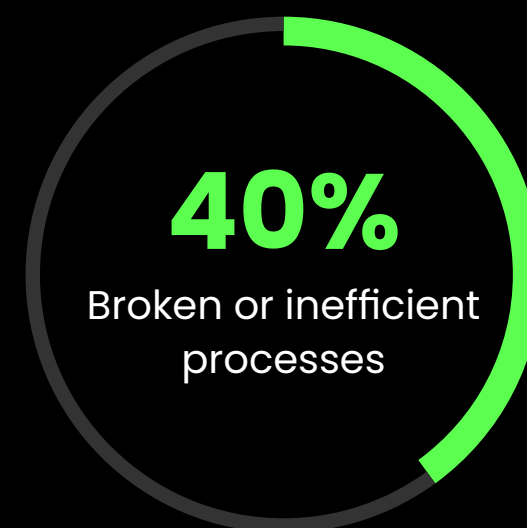
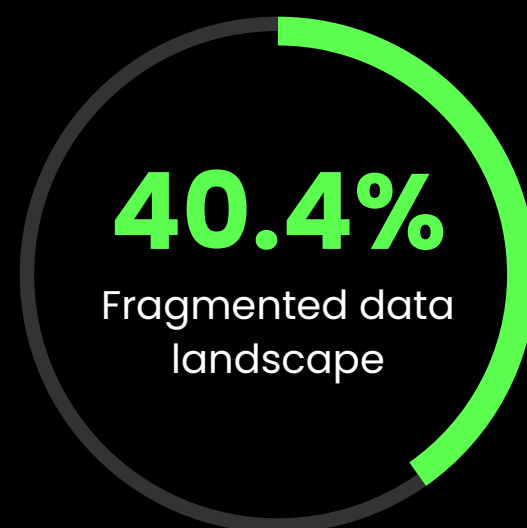
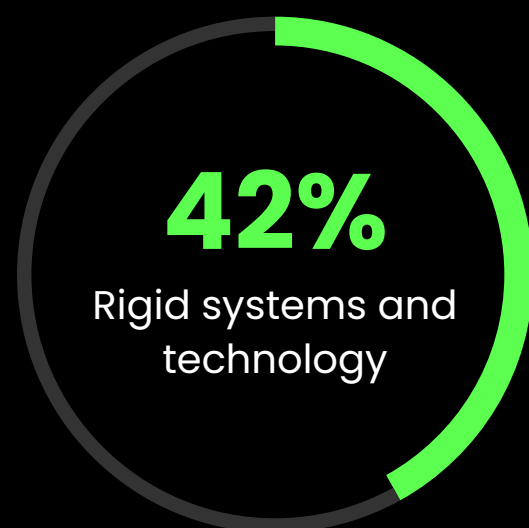
For collection specialists, it means phone calls, queries, constant back and forth with documentation – and that’s assuming they have the right contact information in the first place. And how do they even know if the goods have been delivered, say, or if the sales team are at a crucial point in a new deal, and therefore don’t want the customer to be hassled? Or worst of all, if they’re spending time chasing after a customer who will never pay.

Higher up the A/R ladder, there are similar issues. If you’re the A/R leader and your CFO wants to know why DSO is poor, you may not be sure what to say, because you don’t have insight into the root causes. And if you don’t know the causes, how can you improve things?

It all comes down to a lack of data and visibility.

# Why is this happening?

## A/R teams say they are held back by...



A/R teams are not executing processes at full capacity because they're likely running them across a rigid and fragmented technology landscape. Many businesses are 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 A/R departments are tying up working capital unnecessarily.



## You don't have to live like this

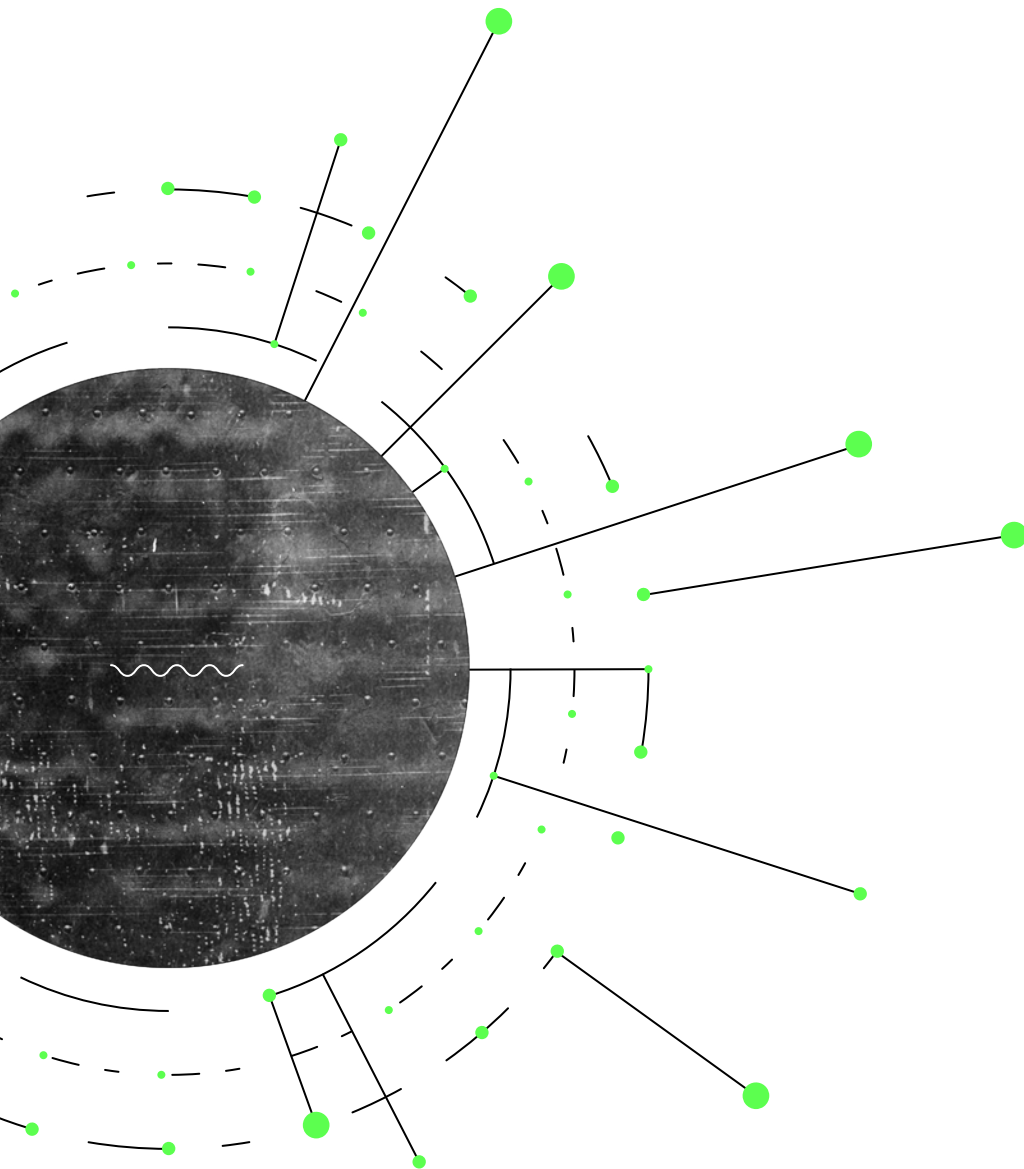
Imagine for a moment that A/R teams had superhero powers. Using your X-ray vision, you could see all these processes in action – in detail and in real time. And you could then come to the rescue of your ailing systems by finding and fixing the inefficiencies getting in the way of performance.

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 collection 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 and intelligence.

Sounds like hard work?

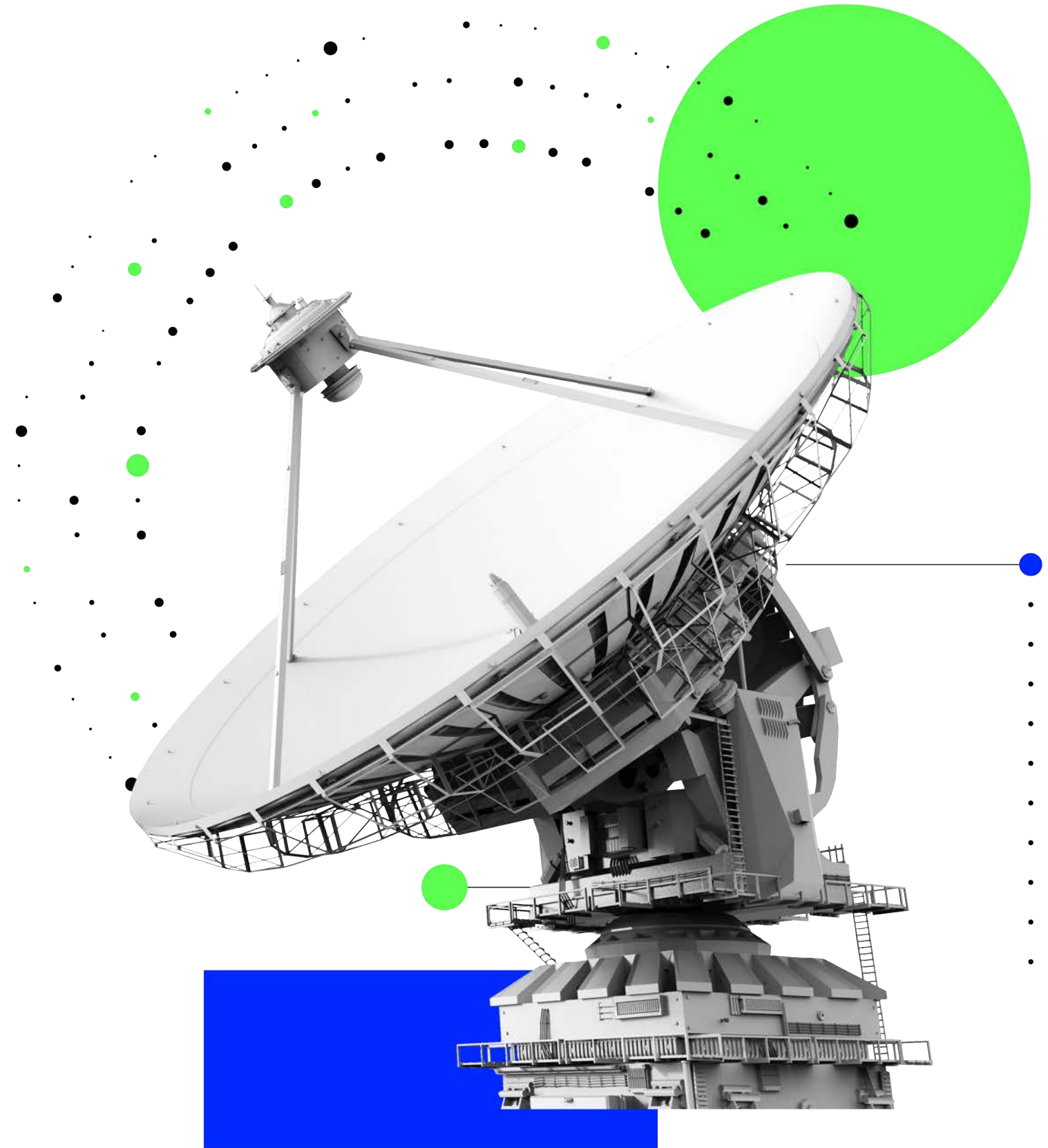
Not really.

# 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.

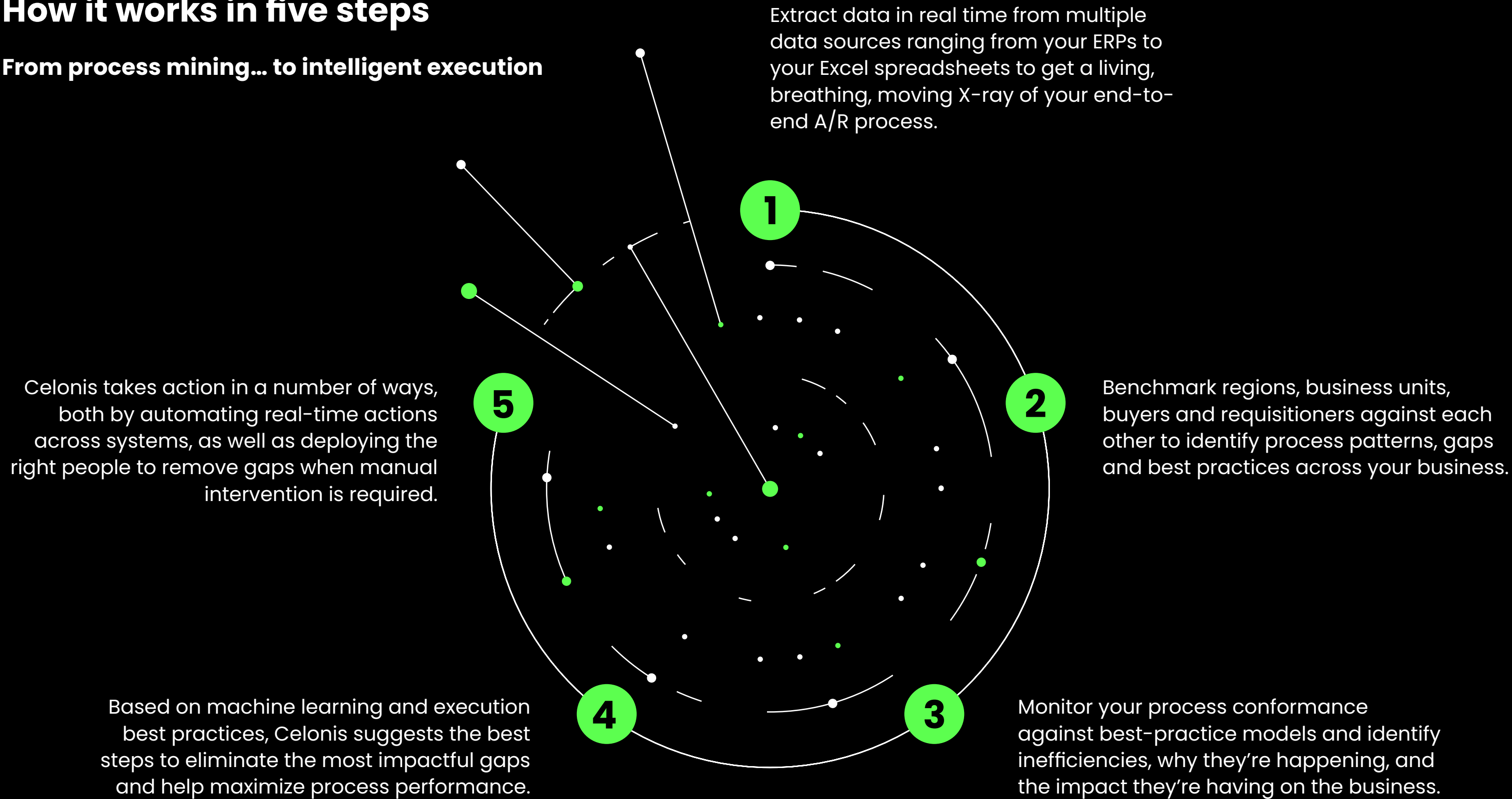
The dedicated [Celonis execution app for Accounts Receivable](#) combines the full capabilities of the EMS with A/R best practices and process knowledge from more than **2,000 deployments** into a single pre-built solution.

It's designed specifically for A/R teams to tackle their biggest challenges and optimize both processes and execution. It ensures collectors are engaging with the right customers at the right time and uses past data to make recommendations for future decisions, such as optimal credit limits. There's no need to change or swap out the underlying transactional systems – the app 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



# The most common A/R use cases

**Imagine you're a collections specialist. You're responsible for getting, say, a hundred customers to pay your organization. Most of them pay automatically. Then there are the others.**

**There are disputes. There are underpayments. There are late payments. There are all kinds of issues you're trying to reconcile on a daily basis. And the real problem is... your processes are letting you down.**

**Celonis could make your life a whole lot easier. Here's how...**

## **Capturing overdue invoices & reducing late customer payments**

A/R teams tend to focus on invoices that are past due.

That's understandable. But it means they're sometimes not paying enough attention to payments that will soon be coming due and acting proactively to avoid late payments. And when it comes to overdue invoices, these are often prioritized simply by age and value, and don't necessarily account for likelihood to pay.

Why waste time chasing an invoice that's over 90 days overdue from a customer you already know is struggling, when you have a big-ticket invoice about to become current? The first invoice is a time sinkhole, the second just needs

a bit of TLC before it becomes due to make sure it gets paid. Spending too much time on the first may mean you miss out on the second.

Celonis lets you maximize the ROI of collectors, prioritizing invoices by value and likelihood to pay, and recommending the right actions to take for each individual customer. That way, your collectors' time is spent exactly where they're most likely to succeed – making it easy to crack down on late payments and reduce your past-due.



## Preventing underpayments

Underpayments can be a real headache for A/R. They're difficult to catch and equally difficult to reclaim.

They happen for a variety of reasons, such as customers taking advantage of a cash discount even though the due date for the discount has already passed. Or perhaps the customer, for whatever reason, has taken more discount than was agreed on.

Celonis gives full visibility into which customers have not paid the full amount of an invoice, automatically provides all relevant data and suggests courses of action in order to reclaim underpayments.

## Minimizing disputes

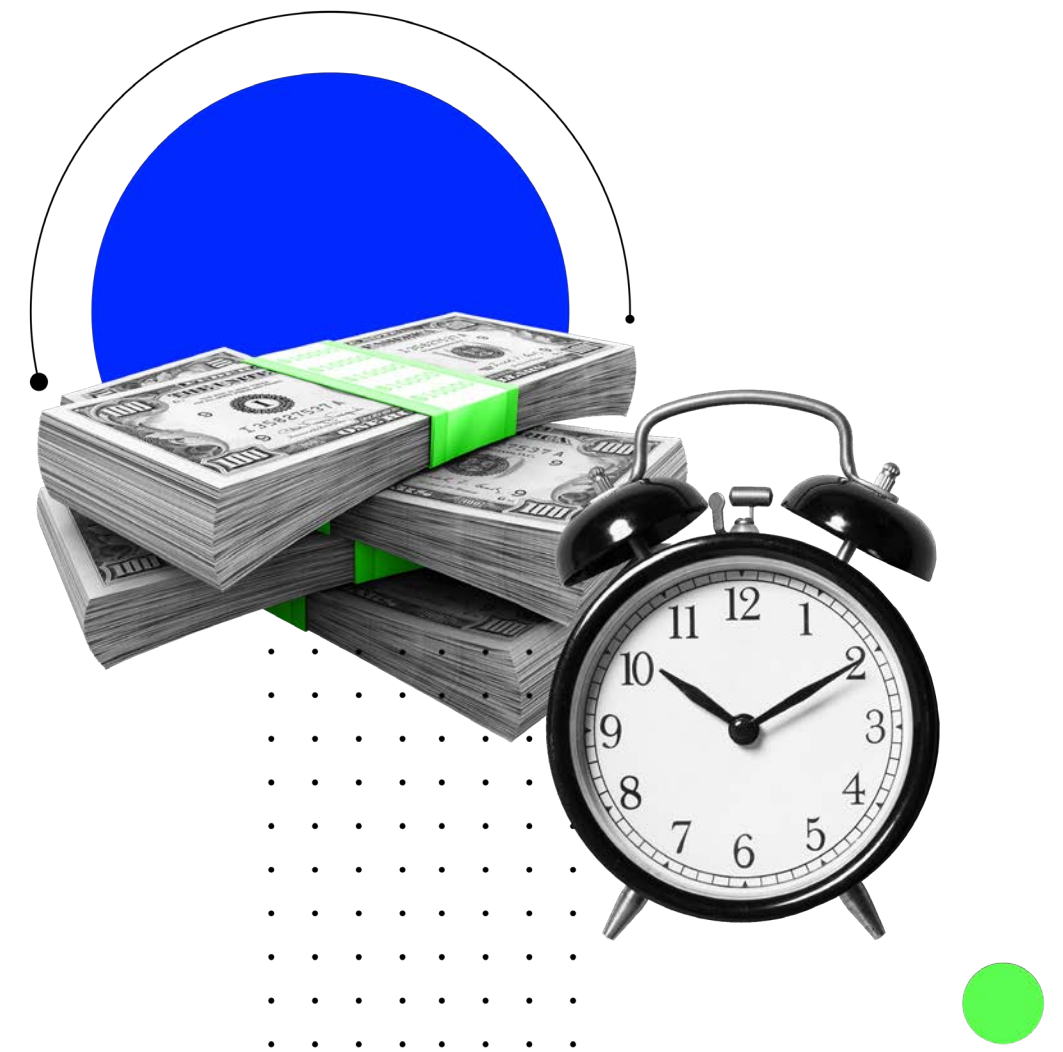
Disputes are a constant thorn in the side of A/R departments, and sometimes they just can't be avoided.

Let's face it, there are always some customers who like a debate, and oftentimes they're right to complain. Maybe the goods weren't what they were expecting or maybe they haven't even arrived yet.

But on many occasions the problem simply stems from inefficient processes – in particular, incorrect invoices being sent. Perhaps the billing address is wrong, or the quantity, or the payment terms don't reflect the latest contract... something somewhere has gone awry. Cue email from upset customer.

Celonis automatically detects these kinds of discrepancies and recommends actions to address them in real time. It also allows collectors to pre-empt disputes by giving access to meaningful data such as delivery information. If you know that goods haven't been delivered on time, you can take steps to head off one of those unwanted confrontations.

And once a dispute has begun, Celonis gives you all the information at your fingertips to accelerate a resolution. It also gives you insights into the root causes of disputes and tracks all relevant KPIs, letting you set effective targets and priorities within your organization.



## Accelerating billing

The multimillion-dollar order has been made, the goods have been dispatched... but hey, who was supposed to send the invoice?

Cashflow is the casualty if billing doesn't take place when it's supposed to, and usually that's a result of manual invoice creation.

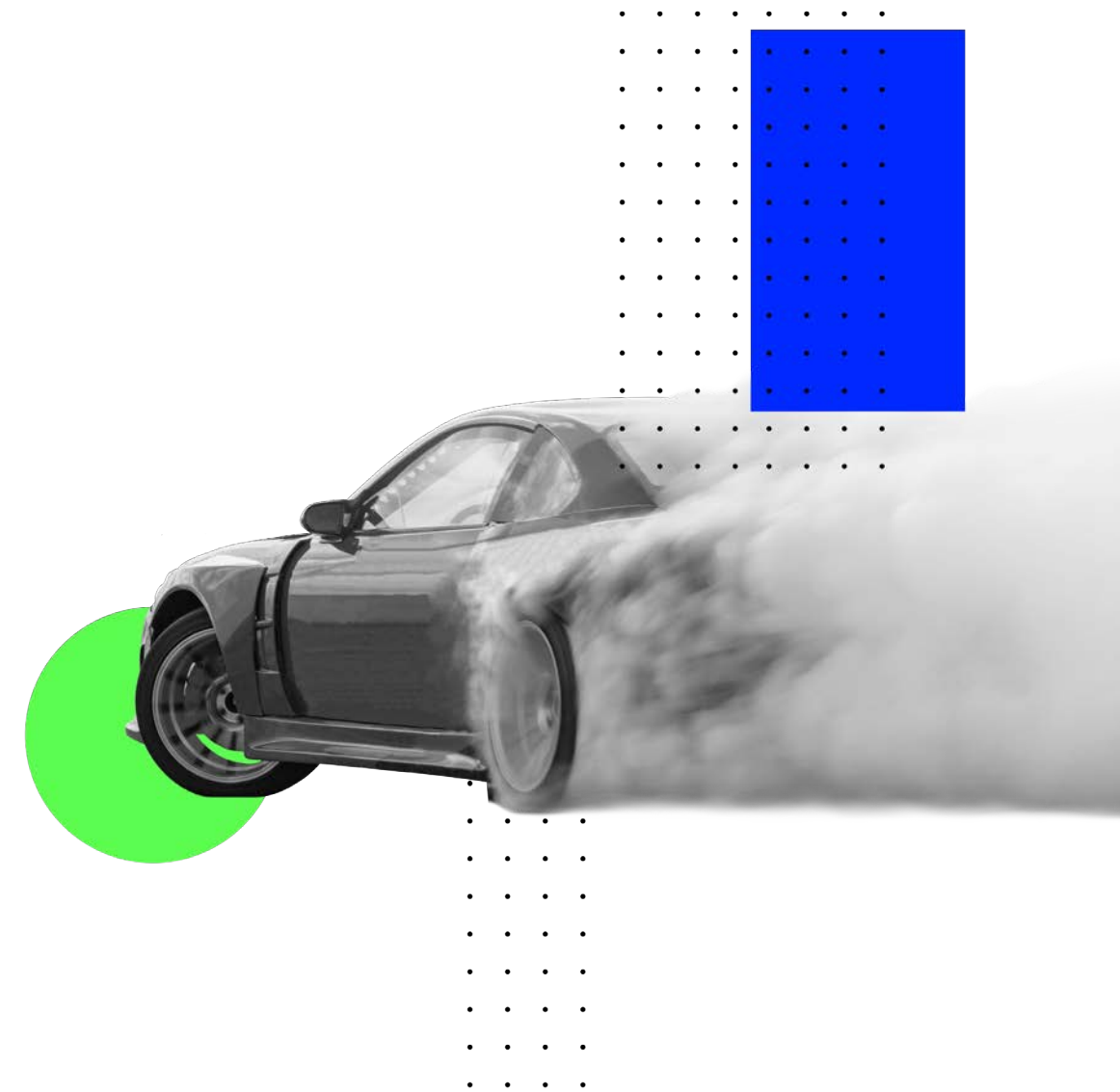
Celonis closely monitors the time between goods issue and invoice creation and will either send a reminder for sales orders that have been shipped without an invoice or directly execute invoice creation, thus essentially eliminating the problem of late billing.

## Getting payment terms right

It's imperative that invoices always use the best possible payment terms.

Payment terms for individual customers reside in master data tables. And if that data hasn't been updated to show a change in payment terms (which happens a lot, because, let's face it, nobody enjoys updating the master data), you can find yourself waiting much longer than anticipated for payment.

Celonis makes sure the payment terms on a contract match those on the invoice, and also identifies the root causes for suboptimal payment terms – such as issues with that pesky master data – so you can fix them, automatically.



# Sysmex recovered \$3.4M in just one month

Celonis has helped [Sysmex](#), the diagnostic solutions company, identify millions of dollars in overdue payments – and start collecting them. They recovered **\$3.4M** in overdue service contracts in just **30 days**. They've seen a **\$10M improvement** in their cash flow, and lowered their late payments rate from **61% to 44%**.

Celonis allows every Sysmex A/R collector to know exactly which portion of the amount outstanding they are responsible for. They also use the data to create targeted collections strategies for different types of customers. "Celonis allows us to segment our customers in a way that is actionable," says Oscar Velazquez,

Senior Director of Customer Operations. Using the EMS, Sysmex is able to understand who its customers are and their likelihood to pay based on data such as previous payment patterns and geography. It can then employ the right collection strategy with the right customer, using its resources more effectively to collect proactively and mitigate risks.





**“As a CFO, **cash is king**. The better the quality of your processes, the better your cash collection and cash management, and the more satisfied your customers are.”**

**– Alex Garini**  
**CFO, Sysmex America**

# It's time to give process mining a try

At a time when cash collection has risen to the top of the finance agenda, and freeing up working capital is more important than ever, it makes sense for every organization to optimize their A/R processes.

To do that, you need to find and fix the gaps in your processes using data and intelligence. The Celonis EMS uses process mining to find those gaps, and then it 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, freeing up millions in working capital.

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

**Let's talk.**



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.