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On the Radar: Celonis Execution Management System—closing the enterprise execution gap



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Summary

Catalyst

Celonis was the first vendor to bring intelligent process mining (IPM) to large enterprises with its Intelligent Business Cloud (IBC). This provides rapid insights into the well-being or otherwise of their operational processes. The firm has built on its heritage, and in October 2020, launched a new enterprise applications category—the Execution Management System (EMS). This unique and integrated platform enables enterprises to identify execution gaps in their processes across the entire value chain, from sourcing through to customer engagement. By identifying and closing execution gaps, large enterprises can significantly boost productivity and reduce operational costs, achieving more with less effort and fewer resources.

Omdia view

Large and mid-sized enterprises continue to struggle with their digital business transformations. Omdia's most recent global ICT Enterprise Insights study confirms that progress is slow, although the COVID-19 pandemic has generated a greater sense of urgency.

In *Creating an Enterprise Environment for Augmented Customer Engagement* (June 2019), Omdia highlighted the necessity to provide an operational foundation to deliver a positive customer experience. Throughout the value chain, processes must work together consistently, coherently, and predictably to create the operational reliability that customers now expect. IPM provides a swift route to ironing out inconsistencies and identifying sources of friction that negatively impact the customer experience. With IBC, Celonis excels at this but has now gone a significant step further to help businesses gain deeper insights into their execution capacity, critical performance gaps, and their impact on key performance indicators.

Until now, identifying execution gaps required painstaking root cause analysis. Celonis' EMS provides a range of tools within the platform to identify significant gaps, quantify the consequences, and recommend improvements and automatically take action to increase execution capacity.

Already the market leader in IPM, with the release of its EMS, Celonis has cemented its position as a digital transformation accelerator. Its timely acquisition of Integromat will add automated task management capabilities through its no-code approach, connecting applications, data, and systems, thus eliminating manual steps in operational processes and accelerating digital automation. IBC gave Celonis a clear lead in IPM, removing operational sclerosis through inefficient processes. Its EMS ensures that new optimal processes developed post IPM discovery get the advantage of optimum throughput and increased productivity. Throw Integromat into the mix, and manual bottlenecks that are a barrier to rapid execution can be eliminated, speeding up transformation under the stewardship of the Celonis EMS.

Why put the Celonis EMS on your radar?

Resilience in the face of pandemics and accelerating external change demands rapid adaptation that can only be achieved through a purposeful, coherent system of value creation and delivery. The pandemic has severely impacted both the supply, production, and demand sides of many businesses across multiple industries and business models. For most companies, execution gaps are hidden from view, leading to higher operational costs and disappointed customers. The Celonis EMS provides a mechanism to put execution capabilities under the microscope, quantify substantial cost savings, and identify and proactively drive productivity improvements that impact the customer experience and profitability.

Market context

Omdia's 2020 global ICT Enterprise Insights study highlighted the common business challenges behind digital transformation efforts. The top three imperatives in priority order were:

- increasing operating efficiency: the top priority for 26%, and a further 18% as their second priority
- reducing operating expenditure: ranked first by 21% and second by 15%
- increase revenue: ranked first by 20% and second by 12%.

The quality of processes deployed directly impacts the first two priorities and arguably can affect the third if the reliability and fluidity of core processes improve the customer experience. Intelligent process mining provides a rapid and highly objective assessment of processes based on the digital exhaust generated by activities and their systems. Traditional process mapping can take many months and is often highly subjective. IPM, therefore, has a vital role to play in the speed of digital transformation by creating a more transparent view of how work gets done for a single process; or for a set of intersecting processes across the entire value chain. Digital transformation provides an opportunity to redesign and simplify processes to deliver a more nimble and adaptive capability.

Robotic process automation is a bandaid

In large and often complex organizations, core processes straddle multiple systems and departments. Manual workarounds are endemic as employees enter or cut-and-paste outputs from one system to another. Robotic process automation (RPA) helps alleviate these inefficient manual activities but does not solve any underlying weakness in a process. It is a bandaid to an open wound if the processes are not reconfigured and optimized. That said, Omdia's global study reveals that 59% of large enterprises are planning to invest in RPA, so the demand for process automation will continue. However, RPA is no substitute for process improvement. IPM provides a tool for that.

Intelligent process mining is a significant step in the right direction

IPM, pioneered by Celonis, provides visibility into the quality of a process and can quantify the financial consequences of any deviation from the ideal. This gets to the root of the problem created by process inefficiencies and deviations from the ideal. Since its launch in 2012, the Celonis IBC solution has been used by a wide range of major companies across multiple industries worldwide, helping them redesign and optimize their core processes. Growing at over 100% year-on-year, Celonis could have stopped there.

Instead, and based on thousands of deployments, the vendor identified another gap in the market—the execution gap.

The EMS focuses on execution capacity gaps

Despite process quality, most organizations suffer from hidden gaps in their ability to execute. Analysis by Celonis found that typical supply and delivery processes run at under half their capacity. For finance and admin, still heavily reliant on spreadsheets and manual interventions, the execution throughput is under 30%. For customer-related operations, it's less than 31%, reducing customer satisfaction and negatively impacting Net Promoter Scores ((NPS). The time-to-market for new products and services averages over 22 months due to execution barriers.

In all cases, this represents a massive productivity gap that is typically hidden from view or hard to measure. The Celonis EMS goes beyond process optimization and tackles the fundamental challenge of execution at scale and optimal capacity.

The Celonis EMS overview

The complex IT landscape impacts execution throughput

Most large enterprises have multiple systems, often from different vendors, to execute their value chain processes. This includes processes for supply and distribution, product and services development, customer engagement, finance, and administration. Processes tend to be sub-optimized and run across rigid and fragmented technologies, requiring manual intervention and workarounds to complete tasks. Few organizations have a slick operational backbone supported by unified platforms and optimized processes. This means the fulfillment of brand promises is always at risk.

Customer engagement is also commonly fragmented across siloed departments and a loosely coupled set of applications to support individual departments. This leads to massive execution gaps and disrupted customer journeys, causing enormous frustration for customers and employees trying to help them.

The Celonis EMS acts like an intelligent membrane across disparate systems

The EMS from Celonis provides an intelligent platform to:

- measure execution gaps, thus exposing the problem
- quantify the impact to reveal the financial consequences if not fixed
- provide and take recommended actions to fix execution gaps fast.

The EMS platform builds on the Celonis Core Process Mining and Automation Engine, supported by advanced machine learning (ML) to trigger recommendations and highlight issues. It also has API connectors to over eighty common systems, from customer engagement to sourcing, procurement, supply, and fulfillment. In addition to the out-of-the-box connectors and applications, Celonis has developed The Celonis Studio, allowing customers and partners to build and further customize applications. The Celonis Studio provides a management cockpit to understand the execution issues, supported by advanced analytics and action management. The Studio also provides the information necessary to help shape execution improvement strategies. Real-time data feeds are ingested from all connected systems, so any deficiencies

caused by a fragmented landscape can be seen and then tackled. Once fully embedded within the EMS, Integromat will provide additional tools to overcome system fragmentation challenges even faster and with greater simplicity.

While in the initial deployments, companies may use the Celonis EMS to solve recognized execution gaps in some of the more obvious process areas, the greatest value will come from treating execution management as an essential corporate management discipline. This should appeal to COOs and CFOs in particular, with operational excellence aspirations. Chief customer officers should also find the EMS appealing as it will identify removable constraints that impact the customer, be it delivery reliability and speed or customer service resolution times. Above all, it should appeal to CEOs seeking to navigate their way out of the pandemic through accelerated digital transformation.

Promise or proof? Beta customers are already gaining the benefits

One global computer manufacturer improved its customer service processes and saw a 130 points improvement in customer satisfaction with a 30% faster resolution time. Cycle times were reduced by 10%, misdiagnosed cases decreased by 24%, and there was a 48% reduction in agents having to access multiple systems to resolve customer queries.

Other major companies across various industries have already taken advantage of Celonis' more advanced IBC capabilities. They are likely to be first in line to adopt the EMS platform to monitor the effectiveness of redesigned processes and identify any execution gaps that can be closed.

Company information

Background

Headquartered in Munich, Germany, Celonis was founded in 2011 by co-founders: Martin Klenk, Bastian Nominacher, and Alexander Rinke. In 2012, Celonis reinforced its credentials by becoming a member of the SAP HANA Startup Focus Program and being invited to exhibit at Sapphire; SAP's annual trade show in the US. In 2017 Celonis opened its first US office in New York.

Current position

Celonis is still in a very-high-growth phase (over 100% year-on-year) and has attracted Series C funding to the tune of \$290 million on a valuation of \$2.5 billion. Major companies from various industries, including relative newcomers like Uber, have adopted the Celonis IBC. Many will be poised to go the extra mile to optimize their execution capabilities across newly improved processes. To date, customers are drawn from the following industries: aerospace & defense, chemical companies, financial services & insurance, energy & utilities, life sciences, manufacturing, oil & gas, technology, media, and telecommunications companies.

While several other vendors have moved into the IPM space, Celonis has a clear lead and the lion's share of the market, estimated at around 60%. The pivot to execution management is likely to extend Celonis' lead and give it a head start.

As well as a significant injection of cash from the Series C funding round, in February 2020, former president of Salesforce International, Miguel Milano, joined Celonis as Chief Revenue Officer and is now co-owner of the company through his investment.

Its major companies' portfolio includes recognized world-class organizations like ABB, Airbus, 3M, Cisco, Dell, Dow Chemicals, GE, Johnson & Johnson, Kimberly-Clark, Lufthansa, MARS, Merck, Novartis, Siemens, T-Mobile, Unilever, Verizon, Vodafone, and Whirlpool.

Celonis now has over 2,500 major deployments and recurring revenue of over \$100 million.

Partnerships and regional offices and an expanding workforce have increased market reach

Celonis continues to expand partnerships with leading consulting and systems integration firms such as Accenture, Deloitte, EY, KPMG Genpact, and PWC. Over 1,000 consultancies are registered in the Celonis Digital Consulting Platform, and major technology partners include BluePrism, Microsoft, Oracle, Salesforce, and ServiceNow.

With over 1,000 employees and an expanding roster of offices in Copenhagen, Chicago, Madrid, Paris, Stockholm, Tokyo, and Toronto, Celonis is poised for continued, rapid growth.

Future plans

From the early stages of its growth, Celonis has developed a network of over 400 universities, ensuring a continued supply of expertise grounded on the IBC platform. The vendor also provides a free light version of its IBC platform so that prospective customers can get a first-hand sense of the platform's value.

While operations provided the most common use cases for the Celonis IBC platform, customers are increasingly turning their sights on the untamed and often chaotic customer engagement arena. Omdia sees this as ripe for further exploration by Celonis, its partners, and its customers. With its EMS, Celonis is going beyond intelligent process mining provided by IBC, to surfacing and managing execution gaps, boosting productivity, and satisfying customers more consistently.

Key facts

Table 1: Data sheet: Celonis

Product/service name	Execution Management System	Product classification	New category: Execution Management Platform
Version number	Cloud	Release date	October 2020
Industries covered	Any	Geographies covered	Global
Relevant company sizes	Large enterprises	Licensing options	Subscription
URL	www.celonis.com	Routes to	Direct, consultants, systems

		market	integrators, and software vendors
Company headquarters	Munich, Germany	Number of employees	1,000+

Source: Omdia

Analyst comment

Celonis first came to Omdia’s attention in July 2018 at SAP’s annual event, SAPPHIRENOW. What was apparent from the presentation and demonstration given by Co-CEO Alexander Rinke was the potential to accelerate digital transformation by gaining rapid insight into the quality or otherwise of processes. While the most apparent potential was in the arena of operations, the thornier and more complex and chaotic customer engagement area could also benefit.

Process automation plays an essential role in omnichannel customer engagement, but processes are often fractured or developed along departmental lines, with little thought to the customer journey. Customer journey analytics (CJA) provides insight into customer interaction traffic, but they do not expose the underlying causes of friction. A combination of CJA, IPM, and now EMS could offer a powerful means to create the “Superfluid” experience that consumers crave. The term superfluid was coined by Celonis to describe a frictionless environment and is at the heart of its vision of enabling the superfluid enterprise.

In Omdia’s report: *2020 Trends to Watch: Customer Engagement Platforms* (December 2019), the case was made for three essential connected platforms that would, in essence, deliver the superfluid enterprise, or what Omdia calls, the customer-adaptive enterprise. The first is an operational backbone (a term first coined by Dr Jeanne Ross et al. of MIT in the book: *Designed for Digital*). This provides the foundation for execution. The second is what Omdia calls a customer engagement platform (CEP), which provides a unified environment for customer engagement to support a positive customer experience. The third is an innovation platform for developing reusable digital building blocks such as microservices to support continuous innovation. Each platform is integrated into a coherent organizational digital fabric and consists of multiple components fed by data and AI to drive a superfluid capability. The EMS from Celonis provides essential input to smooth the path between and within each platform and optimize execution. The opportunity is vast, and we are barely at the start.

Appendix

On the Radar

On the Radar is a series of research notes about vendors bringing innovative ideas, products, or business models to their markets. On the Radar vendors bear watching for their potential impact on markets as their approach, recent developments, or strategy could prove disruptive and of interest to tech buyers and users.

Further reading

[Celonis proves it can accelerate digital business transformation](#), April 2019

[On the Radar: Celonis Intelligent Process Mining accelerates digital transformation](#), February 2018

[Creating an Enterprise Environment for Augmented Customer Engagement](#), June 2019

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