The 2021 State of Business Execution Benchmarks Report

Is your company executing at
maximum capacity?

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We have an execution capacity problem

Every company has a set execution capacity. It's the maximum level of performance that an organization can achieve with its available time and resources.

If you want to increase your execution capacity, you have a choice: either increase available time by adding new resources, or find new ways of accomplishing more with the resources you already have.

At its heart, that's what digitization promises — to transform how we work and operate for the better, helping us achieve better outcomes, in less time, with fewer people.

Yet despite the billions that have been invested in innovative technologies, solutions, and transformation initiatives, Celonis continues to see productivity and output levels that fall far below expected execution capacity in nearly all of our engagements.

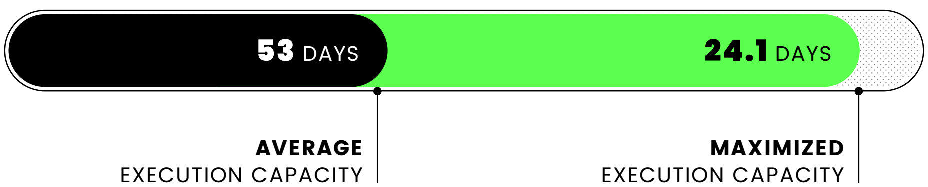
Over and over again, across thousands of deployments, we've observed that the rigidity, fragmentation, and sheer complexity of organizations' system landscapes caps their ability to drive meaningful breakthroughs in performance.

Working Capital

Days Payable Outstanding

Working Capital

Days Sales Outstanding



So we set out to quantify the size of this execution capacity problem.

We chose two of the most core processes in business — Procure-to-Pay and Order-to-Cash — because what ultimately matters as a business is how you make money, and how you spend money.

We surveyed more than 2,000 leaders in six countries and eight industries across Accounts Payable, Accounts Receivable, Procurement, and Order Management to find out exactly what's going on in their department. Those findings were also combined with our own internal database and trusted external sources to build up benchmarks that we believe accurately represent the state of business execution today.

At the highest level, the findings of this research support our hypothesis that right across the core functions of the business, organizations simply aren't operating at their full potential. There is a clear, huge opportunity for businesses to overcome the constraints of their existing systems to maximize their capacity to execute — an opportunity that's worth hundreds of millions of dollars.

This report offers an opportunity for enterprises to benchmark the performance of four key business units against the average execution capacity, and fully understand the potential for improvement.

We'll go through:

- How each function performs against prominent and popular KPIs
- Insights into why performance is below expectation
- Tailored advice to eliminate the execution gaps in each department
- The financial impact of going from middle of the road to top quartile

Let's dive in.

The state of business execution in

Accounts Payable

The state of business execution in Accounts Payable

Thanks to the global pandemic, Accounts Payable has gone from a solidly back-office function to suddenly being in the limelight, as CFOs and A/P leaders strive to put their best foot forward, see this crisis through, and emerge from it in a strong financial position.

Today, the three biggest challenge areas for Accounts Payable are:

01

Balancing working capital with supplier relationships

In 2020, Accounts Payable teams have been working tirelessly to maintain strong supplier relationships and keep supply chains alive, while still optimizing the cash conversion cycle.

02

Managing rising supplier demands

The pandemic has forced many Accounts Receivable teams to refocus on cash and put greater effort into collections and recovery. For the A/P team, this has meant managing rising demands from suppliers and keeping payment structures and schedules realistic.

03

Reducing costs without impacting other KPIs

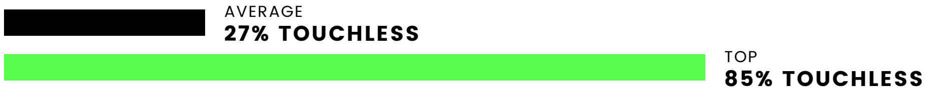
Back-office functions are always under pressure to cut costs, and automation is often viewed as a silver bullet. More and more departments are realizing that it can have unintended consequences, however. Improving your touchless invoice rate could unwittingly impact your working capital, for example, because invoices are being paid too early.

Current performance against core KPIs

Based on the findings of our survey, here's a look at how average and top-quartile Accounts Payable organizations are performing across the department's five most prominent KPIs:

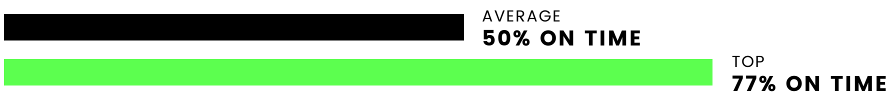
Touchless Invoice Rate

The median company's Touchless Invoice Rate is 27%, while the most efficient organizations achieve touchless processing rates of 85%.



Paid on Time Rate

The average company pays its suppliers on time only 50% of the time while best-in-class organizations are paying their suppliers 77% on time.



Cost per Invoice

The average company spends $17.42 to process a single invoice. Top performers have reduced this to just $6.84.

Additional third-party data showcases a similar difference between average and top performers in these KPIs:

Days Payable Outstanding

The average company has a DPO of just 48.4 days, whereas top performers achieve a DPO of 74.5 days.

Duplicate Payments

The average company pays 1.47% of its invoices twice. Top performers have reduced this to 0.8%.

Understanding the execution gaps in Accounts Payable

Our survey found that, in 2020, the biggest obstacles preventing organizations from overcoming key challenges in Accounts Payable were:

41.1%

Rigid systems and technologies

38.9%

Broken or inefficient processes

37.2%

Organizational silos

Despite the clear understanding that inflexible systems, inefficient processes, and organizational silos are preventing Accounts Payable teams from improving performance against their target KPIs, **only 20.5% of all A/P leaders are using process mining to identify the root causes of those issues.**

Interestingly, 65% of teams are also still prioritizing invoices by first in, first out, or by due date, rather than by the potential impact each invoice could have on target KPIs.

Together, these figures paint a picture of a department that knows things need to change, but isn't really sure how to make that change happen. By stepping back to identify and eliminate execution gaps in their processes, and prioritizing invoices depending on desired outcomes — preferably automatically — average A/P teams can make huge gains in target KPIs, maximizing their capacity to execute and achieving similar results to top performers.

Top-level takeaways for Accounts Payable

Challenges

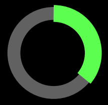
- Balancing working capital with supplier relationships
- Managing rising supplier demands
- Reducing costs without impacting other KPIs

Execution Gaps

The top 3 obstacles getting in the way of performance according to respondents:

41.1%
Rigid systems and technologies

38.9%
Broken or inefficient processes



37.2%
Organizational silos

65% of teams prioritize invoices by first in, first out, or by due date

Performance

From the survey:

Paid on Time Rate

AVERAGE
50% ON TIME

TOP
77% ON TIME

Cost per Invoice

AVERAGE
$17.42 / INVOICE

TOP
$6.84 / INVOICE

Touchless Invoice Rate

AVERAGE
27% TOUCHLESS

TOP
85% TOUCHLESS

From additional sources:

Days Payable Outstanding

AVERAGE
48.4 DAYS

TOP
74.5 DAYS

Duplicate Payments

AVERAGE
1.47% PAID TWICE

TOP
0.8% PAID TWICE

The state of business execution in

Accounts Receivable

The state of business execution in Accounts Receivable

Similarly to Accounts Payable, Accounts Receivable has received a resurgence of interest in the wake of the global pandemic, as another lever to maximize cash. With pressure mounting to improve cash control and maintain essential cash reserves, 2020 was a difficult year for the A/R team.

The three biggest challenges for Accounts Receivable today are:

01

Managing risk in a time of crisis

Risk management during a pandemic is a completely different ballgame, and A/R leaders are under pressure to de-risk A/R processes and reduce the number of unrecovered Accounts Receivable.

02

Evolving from reactive to proactive

The pandemic has demonstrated that for A/R to perform optimally, teams can't simply wait for invoices to go unpaid before springing into action. Instead, they must make better use of their data to change the way they prioritize accounts before they ever become overdue, taking a proactive approach to collections.

03

Identifying the customers most likely to pay

Leading A/R teams are looking beyond basic KPIs such as Days Sales Outstanding to build up a complete picture of likelihood to pay — enabling them to prioritize collections efforts more effectively. However, this demands a new mastery of data and a fundamental change in thinking within the department.

Current performance against core KPIs

Based on the findings of our survey, here's a look at how average and leading (that is, top quartile) Accounts Receivable organizations are performing across the department'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.

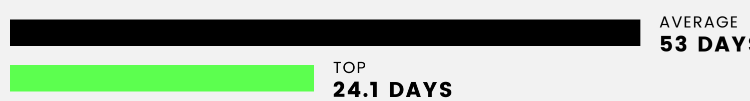
Accounts Receivable Turnover Ratio

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

From additional third-party data:

Days Sales Outstanding (DSO)

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



Understanding the execution gaps in Accounts Receivable

According to the results of our survey, A/R teams are experiencing very similar obstacles to success as their colleagues in A/P. In 2020, the biggest obstacles standing between leaders and A/R success were:

42%

Rigid systems and technologies

40.4%

Fragmented data landscape

40%

Broken or inefficient processes

Interestingly, **rigid systems and technologies rises to 66.7% for companies with fewer than 10,000 employees**—indicating that smaller teams are feeling this challenge more acutely than their larger counterparts.

The KPIs prioritized for improvement this year are Collection Effectiveness Index (46.7%), Operational Cost of Collections per Customer (42%) and DSO (36.5%).

However, while positive steps are being made toward improvement in these areas, many A/R teams remain focused on KPIs that may be holding them back.

For example, **71.3% of collectors still prioritize invoices by age and value instead of likelihood to pay.** If A/R teams want to start increasing collections and maintaining tighter control of cash as their organizations recover from the pandemic, they must refocus on prioritizing the outstanding receivables most likely to be paid. That will allow them to make better use of their time and avoid chasing unrecoverable cash.

Top-level takeaways for Accounts Receivable

Challenges

- Managing risk in a time of crisis
- Evolving from reactive to proactive
- Identifying the customers most likely to pay

Execution Gaps

The top 3 obstacles getting in the way of performance according to respondents:

42%
Rigid systems and technologies

40.4%
Fragmented data landscape

40%
Broken or inefficient processes

Rigid systems and technologies rises to 66.7% for companies with fewer than 10,000 employees

Performance

From the survey:

Collection Effectiveness Index

AVERAGE	TOP
56.6% EFFECTIVENESS	**83.6% EFFECTIVENESS**

Average Days Delinquent

AVERAGE	TOP
29.9 DAYS	**8 DAYS**

Accounts Receivable Turnover Ratio

AVERAGE	TOP
15	**57**

From additional sources:

Days Sales Outstanding

AVERAGE	TOP
53 DAYS	**24.1 DAYS**

The state of business execution in

Procurement

The state of business execution in Procurement

Although traditionally viewed as a cost management function, the role of Procurement has evolved in recent years. Today, it's a strategic partner to the rest of the organization — ensuring consistent supply of essential materials, proactively optimizing supplier portfolios, and even identifying opportunities for product and packaging-based innovation.

The three biggest priorities for Procurement today are:

01

Maintaining the 'five rights' of procurement

Procurement's top priority is still delivering the right goods and services, at the right time, to the right places, at the right price — maintaining and upholding the 'five rights' of Procurement in a time of global uncertainty.

02

Delivering greater strategic value to the organization

Procurement teams want more time to focus on activities that add strategic value for their organization — such as working with partners to drive innovation, and proactively anticipating supply chain shifts.

03

Building a robust, reliable supplier portfolio

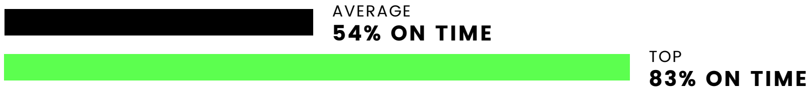
Following the pandemic, many Procurement teams have refocused on continuity, putting a huge amount of their time and resources into ensuring they can maintain continuous supply in the event of an unforeseen crisis.

Current performance against core KPIs

Based on the findings of our survey, here's a look at how average and leading Procurement organizations are performing across the department's three most actively tracked KPIs:

Supplier Delivery Reliability

The average company's supplier deliveries are only on time 54% of the time, while best-in-class organizations receive supplier deliveries on time 83% of the time.

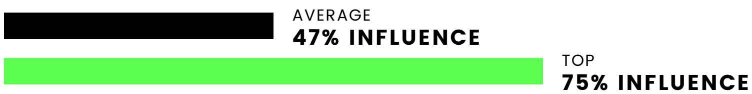


Operational Cost per Purchase Order

The average company spends upwards of $15 to process a single PO, while the most efficient organizations have reduced their cost of processing to just $1.35 per PO.

Spend under Management

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

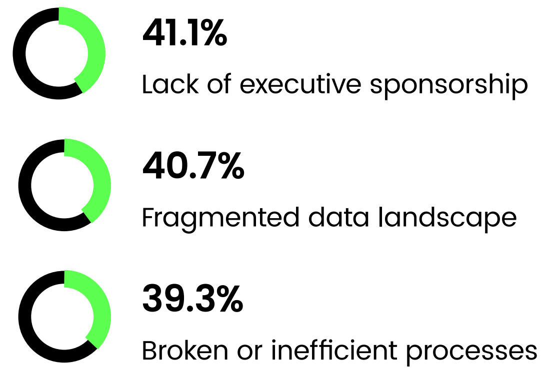


Understanding the execution gaps in Procurement

According to the results of our survey, the Procurement KPIs being prioritized for improvement this year are:

Those priorities clearly show that Procurement organizations' desire to deliver to their stakeholders — indicated by the focus on lead times and stakeholder satisfaction — outweighs the need to make sure purchasing processes are compliant or increase spend under influence.

The top three challenges preventing Procurement from achieving its goals currently are:



Those challenges pose problems for Procurement's long and short-term goals. Low executive sponsorship, a fragmented data landscape, and broken processes will all limit the organization's ability to evolve, become more data-driven, and take up a more strategic role within the wider business.

As a result, the team will be left continuing to fight today's fires — high lead times, high cycle times, and low stakeholder satisfaction — until meaningful progress can be made against those three key challenges.

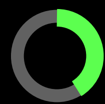
Top-level takeaways for Procurement

Challenges

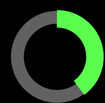
- Maintaining the 'five rights' of Procurement
- Delivering greater strategic value to the organization
- Building a robust, reliable supplier portfolio

Execution Gaps

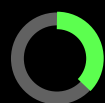
The top 3 obstacles getting in the way of performance according to respondents:



41.1%
Lack of executive sponsorship



40.7%
Fragmented data landscape



39.3%
Broken or inefficient processes

Performance

Spend under Management

AVERAGE	TOP
47% INFLUENCE	**75% INFLUENCE**

Supplier Delivery Reliability

AVERAGE	TOP
54% ON TIME	**83% ON TIME**

Operational Cost per PO

AVERAGE	TOP
$15 / PO	**$1.35 / PO**

The state of business execution in

Order Management

The state of business execution in Order Management

In many organizations, Order Management straddles the line between the front and back offices. Order Managers find themselves directly involved in customer experience, while also being deeply impacted by finance and supply chain processes — acutely feeling the challenges experienced on both sides.

Today, the three biggest challenges in Order Management are:

01

Low on-time delivery (OTD) rates

Price changes, quantity changes, credit checks, delivery blocks, and other unforeseen barriers can all delay order fulfilment, leaving Order Management unable to deliver on time. The real challenge here is automating, expediting, or removing these steps without sacrificing other outcomes — such as making sure customers can actually pay.

02

High processing costs

Order Management is still broadly viewed as a cost center, with many organizations interested in automating numerous aspects of the process to help bring Cost Per Order down. Some are even looking beyond this, making meaningful steps toward Touchless or 'Perfect' Orders.

03

Low customer satisfaction

Expectations around fast, reliable, and transparent delivery set by B2C companies are increasingly bleeding into B2B transactions. Today, exceptional, seamless customer service is expected of every company — whatever it's selling, and whomever it's selling to.

Current performance against core KPIs

Based on the findings of our survey, here's a look at how average and leading Order Management organizations are performing across the department's four most prominent KPIs:

On-time Delivery

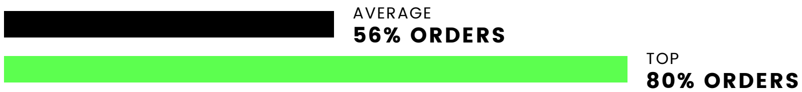
The average company surveyed delivers on time 42.8% of the time, whereas top performers meet their promised delivery dates upwards of 91% of the time.

Customer Satisfaction

For the average company, 69% of its customers are satisfied with its products and services. However, the most customer-centric organizations maintain satisfaction rates of greater than 90%.

Touchless Orders

The average touchless order rate is 56%. But those companies that know how to execute and automate most effectively are reaching 80%.



Cost per Order

The average enterprise spends $29.31 to process a single sales order, while top performers spend an average of $9.94.

Understanding the execution gaps in Order Management

Our survey found that the biggest obstacles preventing organizations from overcoming key supply chain challenges were:

45.5%

Lack of flexible logistics networks

41.5%

Lack of visibility into processes

40.9%

Lack of visibility into supplier performance

Interestingly, **a lack of automation** ranked lowest of all the listed challenges. This suggests that companies have the technology they need in place, but it's not providing the information or capabilities they need to overcome the rigidity and complexity of the systems they're working in.

Even with this technology seemingly in place, the average touchless order rate is still only 56%. That's a problem, especially when you consider that 58% of respondents say their customers are starting to expect even shorter delivery times.

The **average number of manual touches per order is 25,** indicating that there is still significant room for improvement in order fulfilment processes. With **each of those touches taking an average of 60 minutes**, there are still many opportunities for process optimization that are being overlooked.

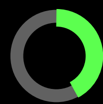
Top-level takeaways for Order Management

Challenges

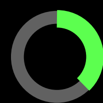
- Low on-time delivery (OTD) rates
- High processing costs
- Low customer satisfaction

Execution Gaps

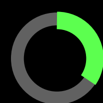
The top 3 obstacles getting in the way of performance according to respondents:



45.5%
Lack of flexible logistics networks



41.5%
Lack of visibility into processes



40.9%
Lack of visibility into supplier performance

58% of respondents say their customers are starting to expect even shorter delivery times

Performance

On-time Delivery

AVERAGE	TOP
42.8% ON TIME	**91% ON TIME**

Customer Satisfaction

AVERAGE	TOP
69% SATISFIED	**90% SATISFIED**

Cost per Order

AVERAGE	TOP
$29.31 / ORDER	**$9.94 / ORDER**

Touchless Orders

AVERAGE	TOP
56% ORDER	**80% ORDER**

And the total financial impact is...

To truly understand the execution capacity problem most companies are facing, we've calculated the financial impact of the execution gaps revealed by our survey on the average company.

This average company stands in as a benchmark to contextualize our findings, and all calculations have been created using these assumptions about them:

- **Revenue:** $5B
- **Average order price:** $1,500
- **Sales orders:** 3,333,333
- **Purchase orders:** 3,000,000
- **Total supplier spend:** $2.4B

With their solidly middle-of-the-road KPIs, the Celonis Benchmark company is missing out on:

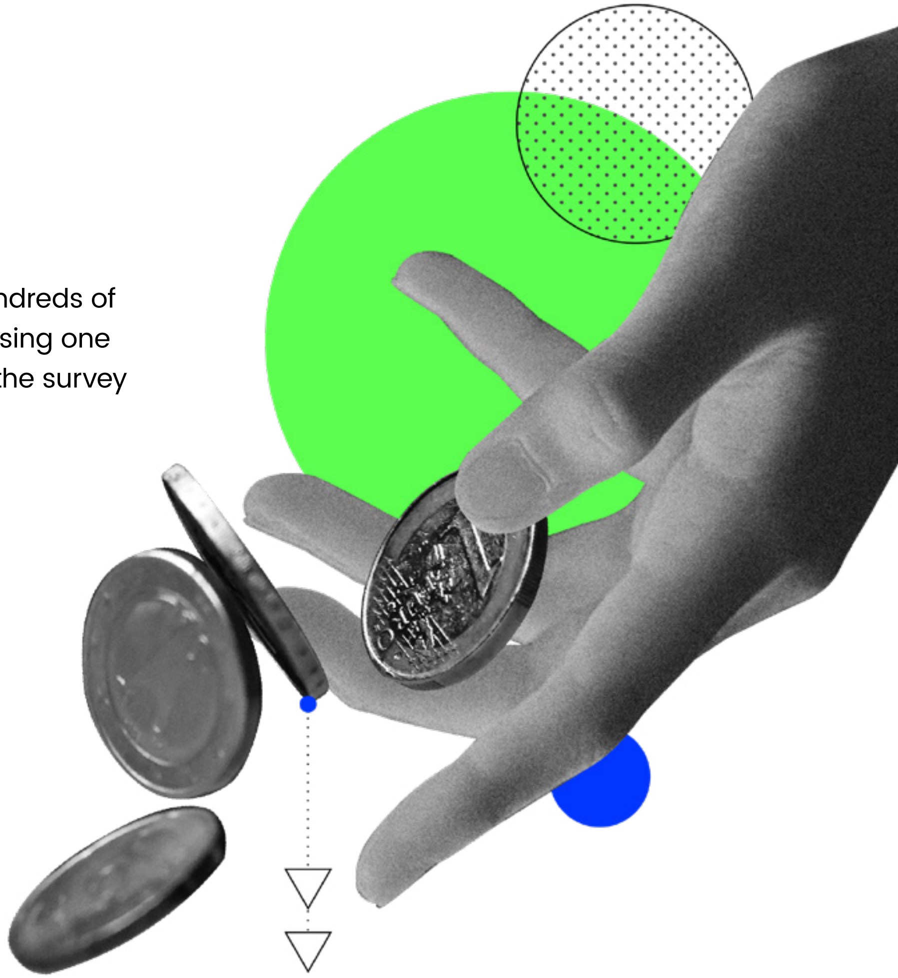
$567M

in working capital

$105M

in cost savings

In other words, they are leaving hundreds of millions on the table — and just closing one of the execution gaps identified in the survey would have a huge impact.



Financial impact by department

Accounts Payable

The Celonis Benchmark company has a DPO of 48.4 days, compared to the 74.5 days achieved by top performers. Based on our financial assumptions, eliminating that execution gap would free up

$171,616,438

in working capital.

Procurement

The Celonis Benchmark company spends upwards of $15 to process a single PO, while the most efficient organizations have reduced their cost of processing to just $1.35 per PO. By maximizing the capacity of their Procurement processes, the company stands to save

$40,950,000

annually.

Accounts Receivable

The Celonis Benchmark company has a DSO of just 53 days, whereas top performers achieve a DSO of 24.1 days. By closing this gap, the company can free up

$395,890,411

in working capital.

Order Management

The Celonis Benchmark company has a cost per sales order of $29.31, compared to just $9.94 for top-performing organizations. By maximizing their execution capacity, the company could save

$64,566,677

a year.

The opportunity on the table

We set out to quantify the size of the execution capacity problem, and we found that there are significant execution gaps to be found across all four of the departments covered by our survey.

The good news is that there is also a huge opportunity for companies to eliminate those gaps and maximize their execution capacity. The top performers in our survey clearly delineate what is possible. And the result?

Based on our calculations, the average company could free up over $567,000,000 in working capital, and save at least $105,000,000 on operational costs.

If it sounds intimidating, it doesn't have to be. The important thing is to start somewhere — and the beauty of optimizing the Procure-to-Pay or Order-to-Cash processes is that they are full of low-hanging fruit that can deliver immediate impact.

At Celonis, we're seeing more and more leading businesses turn to execution management to tackle the complexity of their systems and maximize their capacity to execute.

The **Celonis Execution Management System (EMS)** measures the execution capacity of your processes, knows where the execution gaps are and takes automated, intelligent action to resolve them.

If you'd like to understand what the value of using a tool like Celonis could be for your company, get in touch. Our execution management experts are on hand to do a full, customized Business Value Assessment for your organization.

About Celonis

Celonis is the global leader in **Execution Management Systems (EMS).**

Powered by its market-leading process mining core, the Celonis Execution Management System provides a set of instruments, applications, developer studio and platform capabilities for business executives and users to unlock their execution capacity and achieve performance breakthroughs.

The Celonis EMS offerings help companies manage every facet of execution management, from analytics to strategy and planning, management, actions and automation. Celonis has thousands of customers, including ABB, AstraZeneca, Bosch, Coca-Cola, Citibank, Dell, GSK, John Deere, L'Oréal, Siemens, Uber, Vodafone and Whirlpool.

To find out more about the Celonis EMS, and discover how we can help you close the execution gaps identified in this report, visit **www.celonis.com/ems** or speak to one of our execution management experts today.

Appendix:
Research methodology and data sources

The Celonis State of Business Execution Survey was conducted and compiled by an external third party in Fall 2020, surveying more than 2,000 business leaders in six countries and eight industries, across four different lines of business.

Survey demographic breakdown

- **Lines of business surveyed:** Accounts Payable, Accounts Receivable, Procurement, Order Management
- **Total number of respondents:** 2,020
- **Respondent seniority:** VP/Director level and above, from companies with annual revenue of more than $1B (or equivalent)
- **Countries represented:** USA, UK, France, Germany, Netherlands, and Spain
- **Industries:** Financial Services (Banking & Insurance), CPG & Retail, Hi-Tech, Life Science & Pharma, Chemicals, Telco, Utilities, Manufacturing

Supplementary data sources

In areas where more color and detail were needed beyond our own survey results, we've also pulled in data from reliable industry publications, such as JP Morgan's Working Capital Report 2020, as well as our own internal database.

In particular, we've reverted back to reliable data from JP Morgan on DPO and DSO, and APQC for the top-quartile benchmark on duplicate payments, following a review of our survey responses.