EMBRACING THE FUTURE IN A TEAM EFFORT

AkzoNobel

100 %
TRANSPARENCY

> 14 BN
TURNOVER

46.000
EMPLOYEES

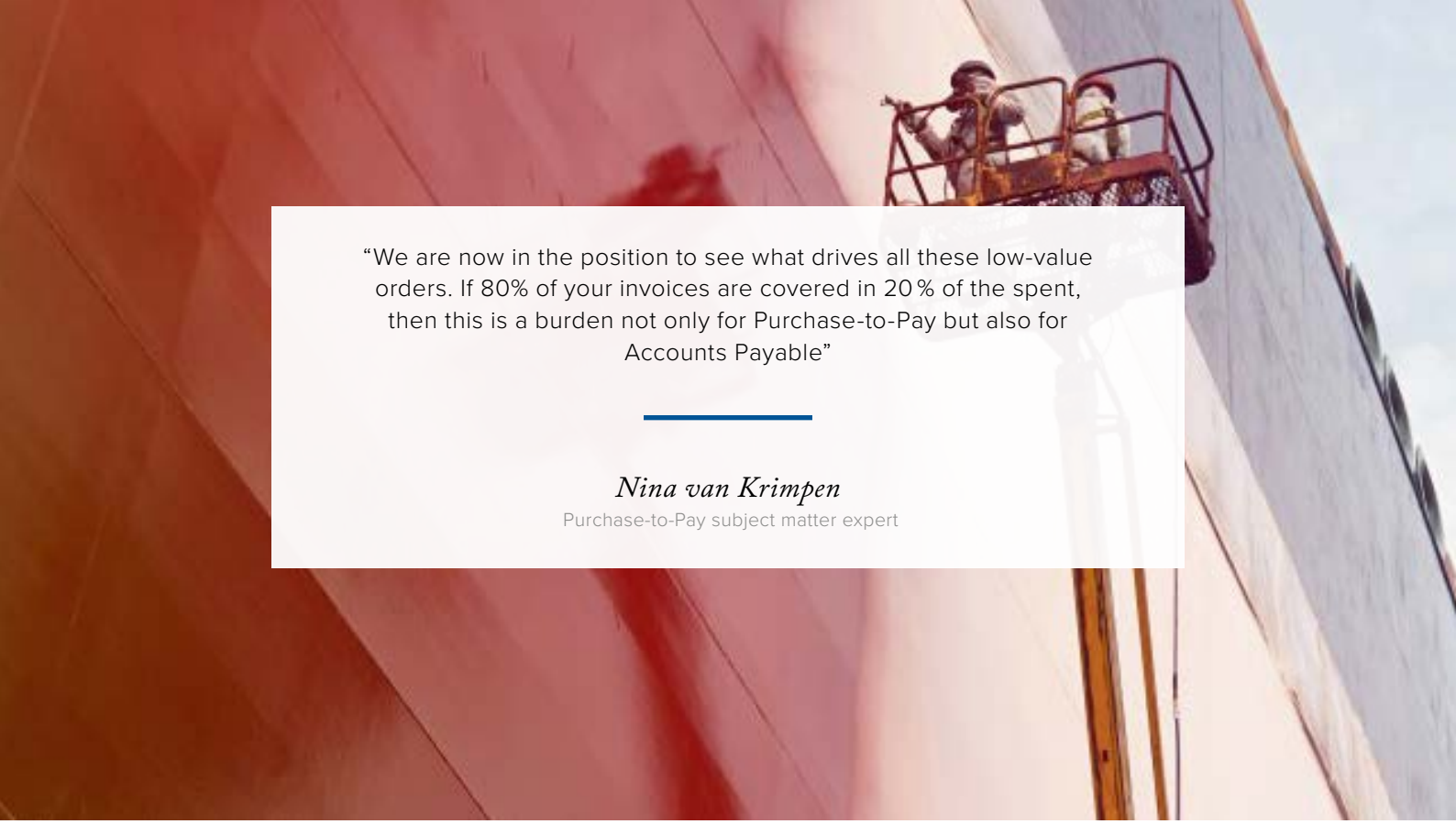## HOW AKZONOBEL USES CELONIS PROCESS MINING TO GET AHEAD OF THE MARKET

WHY CELONIS

AkzoNobel is a Dutch company whose product portfolio is divided into three business areas: Decorative Paints, Performance Coatings and Specialty Chemicals. The latter is currently carved out – it is not decided yet if it will be sold or listed. With over 14 billion euros in revenue and 46.000 employees, the chemical giant is facing rough waters externally. At the same time, AkzoNobel has empowered employees to positively confront the future, and to curiously investigate how its internal processes could be improved.

AkzoNobel missed transparency of what happened in its end-to-end core processes, such as Purchase-to-Pay. **As advanced as the BI reporting was, it lacked the visualization of the process flow, and of what caused deviations.** "Pulling pieces of the process together with bird eye perspective means weeks if not months of work when it comes to collecting information from BW in complicated manner", explains Nina van Krimpen, Purchase-to-Pay subject matter expert. "The company sensed what the issues were but was having difficulty in understanding overall root causes".

In November 2015, the chemical giant turned to German-based Process Mining leader Celonis, one of Europe's fastest-growing tech companies. Celonis' innovative Process Mining software uses the vast data in IT systems to track and visualize business processes in order to provide full transparency and foster fact-based analytical capabilities. It can be easily implemented and used with data of all source systems. **This explains why AkzoNobel managed to roll out the software in only a couple of months without any technical challenges.** Specialty Chemicals business division served as a pioneer for the first 18 months. Decorative Paints and Performance Coatings followed in November 2017 and are now looked at on company-wide global cockpits.

"We are now in the position to see what drives all these low-value orders. If 80% of your invoices are covered in 20% of the spent, then this is a burden not only for Purchase-to-Pay but also for Accounts Payable"

Nina van Krimpen
Purchase-to-Pay subject matter expert

FROM THEORY TO PRACTICE

The first question AkzoNobel needed to answer before implementing Celonis Process Mining was: **Which processes are crucial for the company's success?** It was decided to implement the Purchase-to-Pay, Accounts Payable, and just recently also the Order-to-Cash process. Subsequently, lists of business cases were created, and workshops were organized to prioritize the most relevant shortfalls – with a focus on the low hanging fruits to immediately generate savings.

One of the focus areas was rework, in particular changes on the Purchase Orders in the Purchase-to-Pay process. **With the transparency provided by Celonis, AkzoNobel found that manual changes occurred in 18% of all transactions.** Root causes varied and are tackled one by one, such as outdated master data, non-captured freight costs and input price records. With the help of Celonis, the question of whether the root cause lies with the vendor or the company can now be answered. Are there vendors that obtain prices but fail to send the information? Do AkzoNobel employees frequently and manually include the same price information in the Purchase Order, while it would be more efficient to just change

the master data instead? What role do boundaries play in updating prices? While preventing manual rework is a key objective to improve process efficiency, use cases such as maverick buying or three-way matches are more targeted at compliance. The amount of low-value orders below 100 euros was one of the unpleasant surprises. "We knew that there were a lot of them", says van Krimpen, "but seeing that it was one third was a shock". With this insight, AkzoNobel now actively works on bundling unnecessarily small Purchase Orders, for example by using the P-card. "We are now in the position to see what drives all these low-value orders. **If 80% of your invoices are covered in 20% of the spent, then this is a burden not only for Purchase-to-Pay but also for Accounts Payable".**

Within Accounts Payable, the SAP ECC standard was combined with the SAP VIM module, which allows not only to see if invoices are blocked, posted and cleared, but also the actual issues in indexing and approval stages. This was relevant especially for the Supplier Relationship Management (SRM) approvals for which the as-is process was benchmarked against the should-be process model. **"We saw that SRM flows in Specialty Chemicals improved from 40% to 70% of process conformance**

in one year. Conformance checking is a Celonis feature you definitely cannot find anywhere else, and it has allowed us to very easily track our improvements over time".

The price changes were also looked at in the Accounts Payable process, for example in combination with payment blocks. Any manual intervention prolongs throughput times, which put AkzoNobel in danger of paying its invoices too late, opposing the focus to keep its suppliers happy.

A TEAM EFFORT

Having used the software for less than two years, the results have already been remarkable. The on-time payment could be improved by 20 percent. The same figure could be achieved for the handling of invoices: One fifth of formerly reworked invoices now follow the process without undesired process steps. **AkzoNobel calculated that the 5 most crucial rework activities correspond to 38 full-time employees who used to work on correcting Purchase Orders.**

At the same time, a team of six analysts in India assists in setting up tailored content and searches for inefficiencies in the overall four SAP systems that have

been connected. The buy-in of business is crucial. A dedicated Change Manager convinces the end users of the software's value to prevent this from happening. "We are working in parallel with the Procurement and AP GPOs, the Business Process Managers, Service Delivery Managers and CI Team Leads, just to name a few", continues van Krimpen.

The hard work has paid off: Around 50 users are trained to work with Celonis, all sharing the common goal of streamlining the core processes. With the recent implementation of Order-to-Cash, a

process that is very visible and involves a lot of stakeholders globally, everything is set for long-term success.

WHAT'S NEXT?

A couple of new focus areas can already be perceived. Automated vendor solutions are being investigated. Furthermore, an ERP landscape consolidation project is planned to merge four source systems into one – for which Celonis can play a key role in when it comes to unique process flows and system customizations.

"Of course, Robotics is also a hot topic for us", concludes van Krimpen. "But if we have unstable processes and issues with master data, what's the process automation going to do? **With help of Celonis, we first have to stabilize our processes and then we can see where we can automate and further improve effectiveness and efficiency or cut the costs".**

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