

Lünendonk®-Whitepaper 2020

Digital Consulting

Opportunities for consulting companies



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in collaboration with



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Preface



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Dr. Christoph Kisker,
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Dear reader,

What about the digitalization of consulting services? For almost a decade now, management and business consultancies have been successfully advising their clients on all questions relating to digitalization – starting with future ways of production, from digital purchasing or distribution, to completely new product and service innovations that are now possible thanks to digital technologies. These topics, combined with an increasingly volatile and uncertain world, have brought enormous growth to the consulting companies. Revenue growth of more than 10 percent per year were not the exception, but the rule. Therefore, the biggest challenge for consulting companies was to recruit enough consultants.

In the past, there was often no time to tap into the potential of digitalization within the overall consulting approach as well as the individual consulting stages. Of course, management consulting is a people business, but there is no doubt that digitalization potential exists in the various phases of the consulting process. Realizing this potential, for example through in-house development of big data analytics solutions, usually requires technical know-how, software development competence and corresponding budgets and investments. Only few consulting companies have this at their disposal.

Especially in today's fast-moving VUCA world (Volatility, Uncertainty, Complexity and Ambiguity) and an explosion of data volumes on the client side, digital consulting and process analysis tools are proving to be a real competitive advantage for consultancies. For example, additional and more valid insights can be derived from large or distributed data sets within a very short time. Process mining in particular – i.e. the fully data-driven visualization and analysis of business processes on the basis of transaction data within the client's IT systems, such as ERP, CRM or MES systems – is proving to be a promising technology that opens up completely new opportunities for consulting companies and clients. Just as PowerPoint and Excel replaced the overhead projector in the 1990s and changed the way consulting work was done, process mining has the potential to trigger a revolution in the data and fact-based optimization of business processes today.

In this white paper, you will learn about the challenges that consultancies face today and the great opportunities digitalization offers to them. This paper was developed in collaboration with Celonis.

We wish you an interesting read and are happy to answer any questions you may have.





The consulting market was booming! No time for change and digitalization?

THE CONSULTING MARKET HAS LONG BEEN ON THE UPSWING

Before the COVID-19 crisis, the demand for management consulting was booming for ten years in a row! Since the financial crisis in 2009, the market volume for consulting services in Germany, for example, is estimated to have doubled from around 18 billion euros to over 36 billion euros in 2019. Especially in the past five years (2015 to 2019), the revenues of the leading consulting companies have grown very dynamically with double-digit growth rates. There are few industries that can look back on such a successful development as experienced by management and IT consulting companies.

Driven by the high pressure to change, which consulting clients are faced with due to new technologies, digitalization, as well as regulatory, social and geopolitical challenges, the need for consulting services was correspondingly high. In recent years, consulting companies have benefited from a certain euphoria surrounding the topics of innovation development, digitalization and the development of new business models and services on behalf of the client. Since the economic downturn caused by the corona virus, the

focus is set once again on classic consulting topics such as efficiency increase, cost reduction, process improvement and company splitting. For management consultancies, this development means that the need for consulting and projects will shift in terms of content. At the same time, the crisis is putting pressure on clients' consulting budgets. A significant decline in the volume of consulting services is expected for 2020, as the development of gross domestic product and the consulting market are strongly correlated.

CURRENT CHALLENGES

In the light of the current situation, the following question arises: Which challenges do consultancies face today and in the future? Until the COVID-19 crisis, consultancies did not have to fight against decreasing demand, but primarily against the lack of experts to be able to attend to all project requests. For many years the lack of skilled workers, i.e. the lack of junior and senior consultants as well as experienced project managers, was a major obstacle to growth. Frequently, nine out of ten consulting companies rated the lack of qualified consultants as the biggest challenge for their business.

Against the background of this gap in supply, the salaries of the consultants naturally increased significantly. Long-term data show the considerable increases since 2014, with the capacity utilization of the consulting companies rising continuously alongside the shortage of skilled workers. Therefore, new consultants had to be recruited for new growth, as enough capacity was not available internally. Despite the great demand for consulting services in the face of a resource scarcity, our company data and numerous interviews with consulting companies and customers show that the price pressure to which consulting companies are exposed has increased. Management consultancies are thereby faced with the challenge of having to adapt to the new market conditions in terms of content, personnel and economics.

Increasing professionalization of consultancy purchasing on the one hand and greater market transparency on the other are slowing down the increase in daily rates.

Although they increase by between 2.5 and 3.5 percent per year, they do not rise at the same rate as consultants' salaries. This development has long-term impact on the consulting companies' return on sales. Initial trends can already be seen in the long-term data of our annual consulting study. For consulting companies, this inevitably raises the question as to the ways and means by which per capita sales can be increased sustainably in order to be successful in the long run.

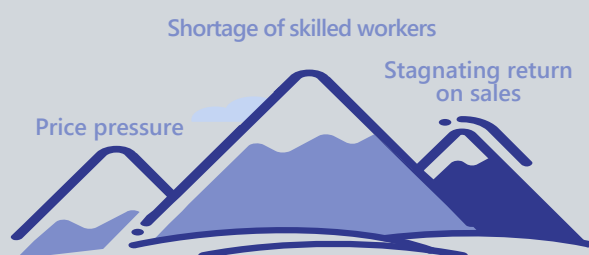
HARDLY ANY TIME NOR RESOURCES FOR FURTHER DEVELOPMENT OF OWN BUSINESS

High growth, high capacity utilization, numerous project enquiries and a high degree of client orientation left the consulting companies and their managers little time to strategically and sustainably develop their own consulting business and thus to be able to react to developments in the fields of digitalization, data analytics and artificial intelligence (AI).

Growth and challenges in consulting market



Current challenges for consultancies



Numerous interviews with executives of medium-sized and small management consultancies show that almost all relevant resources were used to expand and handle external business. As a result, there was little time left for internal development and digitalization.

HOW DIGITAL ARE THE CONSULTANTS COMPARED TO THEIR CUSTOMERS?

In the past, we have read time and again that companies of all kinds need to digitalize - because anything that can be digitalized will be digitalized. Frequently enough, consulting firms predicted this to their clients in recent years. At the same time, however, questions are repeatedly being asked about the steps consulting companies themselves take to use digitalization for their own business. Some consulting clients suspect that they themselves are perhaps already much more digital than the contracted consultancy.

Against this background, it is not surprising that consulting companies are more often asked by their clients whether they use digital analysis possibilities for analyzing data to generate insights to propose solutions faster and more comprehensively than before. The pressure from the client side is growing here, and it is foreseeable that the possibilities for analyzing digital data traces will increase with the rising digital transformation of the client companies. Therefore, consultancies must expand their toolboxes to include these options.

WHERE IS THE POTENTIAL FOR DIGITALIZATION?

When considering where and how digitalization can support management consultancies, the first step is to look at the classic consulting process. This has not changed fundamentally since the first consultant Arthur D. Little at the end of the 20th century, because consulting is still a people business.

This means: analysis of the problem, development of a solution concept, realization and implementation, as well as the subsequent evaluation of the measures implemented. Where can digitalization be used to increase the efficiency and effectiveness of the often very traditional consulting services?

This is exactly the question we have been looking into in a comprehensive qualitative study in 2015. The following questions were asked: What business opportunities does digitalization offer consulting companies? What business potential does it open up for them? Where do the consultancies themselves benefit from digitalization, and where can it be harmful to them?

In the conversations held at that time, it became clear that consulting companies - like other service providers - are naturally taking advantage of the opportunities offered by digitalization regarding their secondary processes such as marketing, sales, training as well as internal management and coordination. The more interesting question then and now, however, is: In which phase of the actual consulting process can digitalization potentials be tapped into? And are there any opportunities to take account of the shortage of skilled workers on the one hand and the increased demand of customers for quick reaction time and project implementation on the other? In particular, high pressure to adapt and change - which weighs heavily on numerous customer industries - challenge consulting companies to present faster, more well-founded and thus often data-driven solution proposals.

Our company's research and the current development of software tools, both in-house and on the market, show that consulting companies and clients have recognized opportunities, especially during the analysis phase, to achieve faster and better results.

For the phase of the actual solution development and concept creation as well as the implementation, specific digital tools still play a subordinate role, at least for the time being.

DIGITALIZATION OF THE CUSTOMER LAYS THE FOUNDATION FOR NEW ANALYSIS METHODS

Over the past ten years, enormous investments have been made on the customer side to digitalize processes and business models as well as to connect production means, products and employees. As a result, value-added processes within companies are changing and at the same time, their digitalization makes them visible and comprehensible in different IT systems. Based on this development, the amount of data in corporate divisions such as Finance & Accounting, Purchasing, Logistics, Production as well as Marketing, Sales and Aftersales has increased significantly. Processes that used to be paper-based nowadays provide a continuous stream of data through digitalization, for example log data, process IDs or time stamps, which enable a completely new process transparency.

When consulting projects are carried out in these corporate functions today, the topic of digitalization almost always plays a central role. What does this development mean for consulting companies and their work?

Just as PowerPoint and Excel replaced slides and the overhead projector in the 1990s, software products that enable fast and continuous visualization of data are playing an increasingly decisive role today when it comes to analysis as the basis for the actual problem solution. Of course, notes, pencils, surveys and workshops with the client's employees are still important in the analysis phase in order to determine the potential

for improvement within the value and process chains within companies.

However, the client's process data generated by digitalization in ERP, CRM or MES systems are becoming increasingly important. Consultancies that are unable to generate quick and effective insights for the client from this data will come under increasing pressure, as their reputation as an innovative consulting partner and know-how provider will also suffer!

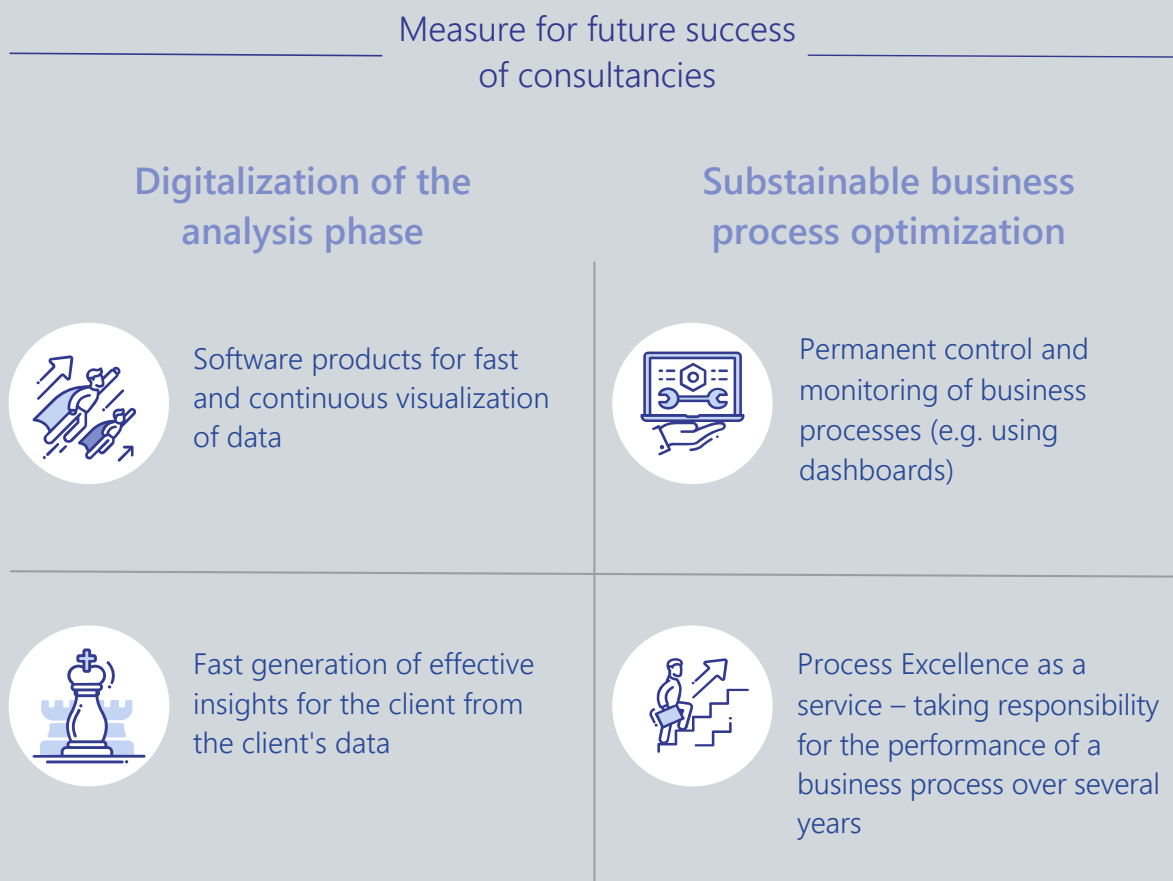
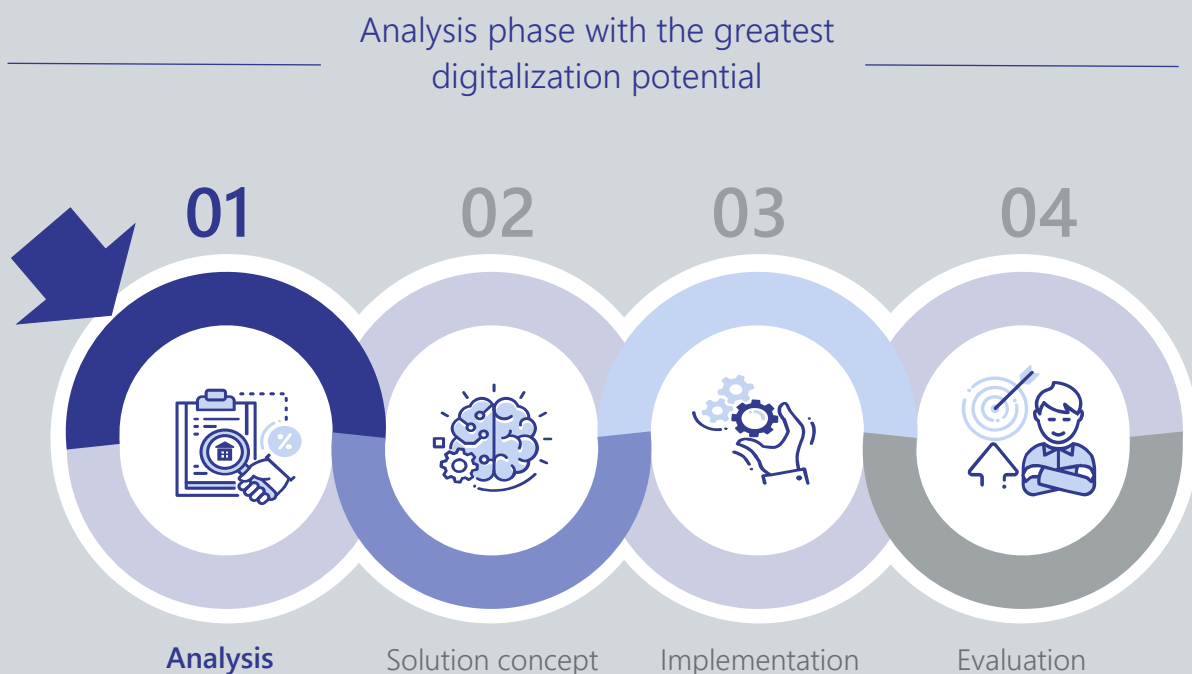
SUSTAINABILITY OF CONSULTING PROJECTS

Interviews of consulting clients often include the question of how sustainable business process optimizations were, and whether the results are still effective after one to two years or whether the optimized process has fallen back into old patterns. New solutions for monitoring business processes based on digital traces can help here. By defining KPIs (Key Performance Indicators) in the project, the foundation is already laid for the permanent control and monitoring of business processes, for example with the help of appropriate dashboards based on the log data of the business processes. Therefore, it is possible to measure not only at the beginning and end of a project whether it was successful, but continuously. In this way, the project success can also be demonstrated to the client based on verifiable numbers, data and facts.

This approach may even open up completely new business opportunities for consultancies, as it is possible to not only offer consulting services within a limited time frame, but Process Excellence as a service. Consequently, the consulting firm takes responsibility for the performance of a business process for a period of three years, for example, and benefits if the performance is kept high on a permanent basis.



Opportunities for management consultancies through digitalization

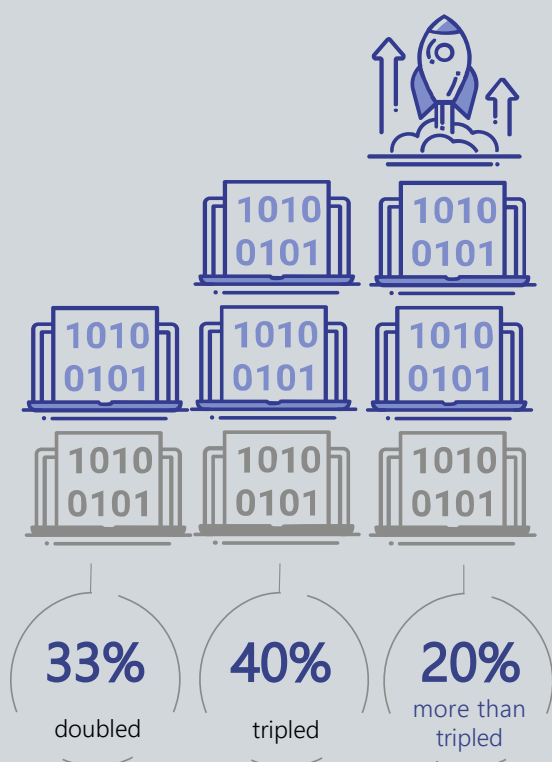




New demands on consulting in a data-driven world

Development of data volumes

Data volumes in customer projects have increased over the last two years:



GROWING DATA VOLUMES IN CLIENT PROJECTS

The amount of data that consulting companies are confronted with in client projects has increased significantly. This is shown by a study we conducted in 2019 with leading management and IT consulting companies in Germany. A third of the consulting companies surveyed stated that the volume of data has doubled in the last two years. A further 40 percent were even convinced that a tripling had taken place. The remaining fifth assume even higher increases.

INVESTMENT FOCUS OF CLIENTS

In our annual survey, we always want to find out from the management consulting companies in which topics clients want to invest more in the next two years. Unsurprisingly, the somewhat general topic of digitalization ranks first with over 90 percent in agreement. More interesting, however, is a look at the following two ranks. In second place are projects that increase efficiency and reduce costs and in third place are projects that focus on business analytics and big data.



Especially the agreement on the topic of efficiency in 2019 and prospectively also in 2020 has increased significantly, as the global economy has weakened and important customer industries like the automotive industry are under high cost pressure.

This triad of digitalization (creating a database), analytics/big data (generating insights) and subsequent derivation of measures to increase efficiency makes it clear how important a high level of analysis capability and data competence is or will be for the majority of consulting companies. Viewed in perspective, this procedure follows the classic concept of Business Process Reengineering (BPR) from 1990.

BUSINESS PROCESS REENGINEERING 4.0

With BPR, processes taking place in the company should not be improved within corporate functions, but rather across divisions and with a holistic view. In addition, the reduction of process variants and the derivation of standard processes and their harmonization at company level played a central role in Business Process Reengineering.

Digitalization and today's data stream in client companies now offer the opportunity to pursue the idea of

BPR, but to create the basis for it within a very short time and to put the analysis on a firm foundation. The data-driven analysis approach has numerous advantages, as traditional business process optimization has always been very labor as well as time intensive and ties up resources on the consulting side as well as on the client side.

Furthermore, the perception of client employees is always subjective regarding the duration of process steps or the actual processing. Accordingly, this approach sometimes distorted the results, leaving potential for improvement unused. In addition, classical evaluation formats such as workshops and surveys cover a large part of the process variants - but not all of them. Interviews show that it is often only the last five percent that are not recognized in workshops - but those offer high potential for improvement.

In contrast, modern data-based analysis tools allow navigation through all tracked processes as long as the data quality and availability in the companies allows this. In addition, based on the process data and its analysis, an objective discussion based on verifiable figures, data and facts takes place with all stakeholders and departments.

Typical goals of Business Process Reengineering (BPR)



Digitalization and today's data stream create the optimal basis for BPR within the shortest time and a solid foundation for analysis.

Cross-departmental process improvement with a holistic view

Reduction of process variants

Derivation of standard processes

Harmonization of processes at company level

Data-based process optimization methods offer numerous advantages over traditional methods

Advantages of data-based analysis tools



Disadvantages of traditional process analysis

Notes, pencils and workshops as well as extensive primary data collection in the client company are therefore increasingly supplemented and, in some cases, completely replaced by digital consulting technologies, which allow extensive analyses based on secondary data (e.g. process and log data).

The advantage for the consulting companies is not only the fast generation of added value for the customer, but also the ability to scale consulting services at this point and to concentrate on higher value services, such as the actual concept development and implementation of the consulting project.

A further and very significant advantage is that the data-driven process and value stream analysis can ensure a sustainable and lasting effectiveness of the measures introduced and the consulting project, since results can be presented quickly and ad-hoc, for example in dashboards and based on new process data, in a way that is transparent for everyone. This procedure now enables the establishment of a continuous improvement process much more frequently than before.

What does this development mean for consulting companies?

ANALYTICS TOOLS AND ANALYTICS COMPETENCE GAIN IN IMPORTANCE

Based on this, software tools and analytics competencies of the consultants play an increasingly important role. Statements from the consulting companies as well as conversations on the client side make it clear that the rapid evaluation of the status quo in the client company and the targeted identification of inefficiencies or process anomalies are a real competitive advantage for consulting companies. The consultants mainly use the analysis tools currently available to present the status quo based on client data from the past. Forecasts often still play a subordinate role at present.

The top management of client companies are placing increasing importance on their organization developing a stronger data-driven approach, which allows decisions to be made faster and based on facts and figures. This helps to meet market requirements and standards in terms of responsiveness. Naturally this translates into consulting companies also being required to adapt and develop their own services and solutions. A data-driven approach in consulting projects are thus becoming increasingly important. However, at this point it must also be said that not every consulting project requires a data-driven approach.



Nevertheless, a significantly increasing trend in this direction is clearly discernible, especially in the past three years. According to a survey conducted by our company in 2019, a clear majority of the leading 60 management consulting companies were convinced that the analysis work in consulting companies is increasingly shifting away from consultant intuition towards software-based analysis.

This development is also reflected in the recruiting profiles of management consulting companies. When it comes to the question of which three methods or skills consultants should master, it is not surprising that data analytics, data science or big data know-how ranks first. One in two consulting firms sees a great need in this area, followed by a solid understanding of information technology.

DEVELOPMENT OF OWN ANALYTICS TOOLS FOR THE SCALING OF CONSULTING SERVICES

Apart from recruiting consulting staff with the above-mentioned skills, consulting companies have also started to develop their own analysis tools which they can use in the consulting process to generate insights more quickly or even entrust them to the client afterwards. However, the number of these solutions is not very high currently. According to a survey in 2018, for example, consulting firms used an average of four to five tools, with the large international consulting, auditing and IT consulting groups having a higher number of software-based consulting components.

The exchange with consulting companies shows that the development of tools and the structures and skills required for this, as well as the different cultures (consultant vs. software developer) and business models cannot always be combined under one roof. Furthermore, it is clear that specialized software companies have a much greater potential for innovation in the rapidly changing software environment than, for example, consulting companies with their analytics or solutions practices. In addition, consulting firms sell services rather than products on a large scale. This does not rule out the possibility that industry or customer-specific solutions may be developed in the project on request.

However, it is rather unlikely that consulting firms will become software companies on a large scale, at least from a current perspective. The scaling of individual activities in the service creation process of the consulting service is possible, but it is not the primary goal of those responsible in consulting companies. Rather, it becomes clear that certain independence and thus the flexible selection of the best software solutions on behalf of the client gives credibility and flexibility. In addition, the consulting work often only begins once the actual potential has been identified and effective implementation is imminent.

How should consulting firms react when data-driven analyses offer such great potential, which is often desired by clients, but the development of their own solutions on a "greenfield site" is time-consuming and expensive? And what's more, the resources to implement such projects are often scarce?



What does this development mean for management consulting companies?

SOFTWARE EATS CONSULTING?

Is there now a risk that the services provided by consultants will be replaced by software? This question can be answered with a clear No. Even the best analysis tools are only of any use if the results and the identified potentials are put into practice within the framework of an implementation-oriented consulting or transformation project.

For this purpose, clients need consultants who know how to interpret the results, where stumbling blocks may be hidden, and which concrete measures are target-oriented so that the potential identified during the analysis of the company data can be turned into realized improvements.

Findings alone are not the solution to the problem. This assertion is also supported by the already cited Consulting 4.0 study, which was conducted in the first

half of 2019 under leading management and IT consulting companies. Here, the question was asked which criteria have a high influence on the quality of consulting services today and in the future.

ONLY CONSULTANTS ACTIVATE THE POTENTIAL

The experience and knowledge of the consultant is of utmost importance and thus at the top spot. In the future, this knowledge is expected to become even more important for the success of the consulting project. Two out of three respondents say that the knowledge of the consultant has a very large influence. From our point of view this is not surprising. In almost all areas affected by data analytics or artificial intelligence, the work of repetitive routine activities is indeed decreasing. But at the same time, consultants can devote their time to activities that really add value, such as the creative development of solution concepts.



Using data analytics & AI and consulting know-how to tap potential

Reduction of repetitive routine activities

More time for value-adding activities
(e. g. creative development of solution concepts)



This requires experienced and well-trained consultants who interpret and, if necessary, critically review data and at the same time develop implementation concepts and action plans. Just as data glasses can augment reality today, data analysis tools help to provide augmented consulting. Software tools thus are less a substitution rather than an extension of the usual consulting toolbox, and therefore open up the possibility of generating additional business with higher daily rates.

DEMANDS ON THE CONSULTANTS INCREASE

Of course, this development inevitably leads to an increase in the demands on consultants, especially regarding their technological expertise in topics such as big data, AI, automation and cloud. Only if the consultants or the team build up solid competencies

here, comprehensive added value can be delivered in a future where almost all consulting projects contain digital solutions at their core. Correspondingly, 20 percent of those surveyed in the before mentioned study, estimate that technological competence today has a major influence on project success. In addition, two-thirds of those surveyed believe that this will continue to be a significant factor in the success of projects in the future. No other criterion has seen such a strong increase in the rating. This assessment has also increased significantly regarding digital consulting components (for example, automated data collection at the customer's premises). Over 80 percent of the participants assume that these tools will have a very large or large influence on the success of consulting in the future. Tools such as process mining or visualization are focused here.



66 %

of the consultancies say that the knowledge of the consultant has a very large influence on the success of a consulting project.



20 %

of the consulting services appreciate technological competence as an essential influencing factor.



80 %

of the consultancies assume that digital consulting components will have a (very) large influence on the success of consulting in the future.



CLIENT PERCEPTION

The use of modern analysis tools or digital consulting components also increases the perception and reputation with the client. Consulting companies that provide advice on all aspects of digitalization are expected to use state-of-the-art tools to generate insights. On the client side, the data-driven approach also leads to a stronger perception of success, to more confidence in the results and the precise delimitation of all problem areas and the associated development of solutions for direct action. At the same time, the client's demand for well-founded and quick solutions to increase efficiency and reduce costs is considered.

EFFECTS FOR CONSULTANCIES

Technological developments are enabling consulting firms to increase the productivity and the per capita turnover of their own consultants, as certain services can now be offered in a scalable manner. Particularly in view of the shortage of skilled workers described above, the rising salaries of consultants or the increasing price pressure from clients, there are opportunities here to develop earnings potential. In conjunction with the direct feasibility and simple, quantitative success control of certain measures, this also opens up new opportunities for value-based pricing. Not only is this increasingly demanded by the clients, but it also

represents a great potential for sound consulting services. At the same time, new offers and sources of revenue can be tapped to the benefit of the client. For example, managed services allow continuous monitoring of improved processes in order to offer ad-hoc consulting services in case of certain process or performance indicators not being met. In terms of a continuous improvement process and increasing documentation of the sustainability of consulting services for clients, this is certainly an interesting argument to consider.

TECHNOLOGY PARTNERSHIPS

Due to the demonstrated importance of analysis tools, the question naturally arises as to how consulting companies can develop and use them most effectively. Here, especially technology partnerships and a good partner ecosystem are gaining in importance enormously. For example, well over 80 percent of the leading consulting companies are convinced that digitalization is so comprehensive that not all competencies need to be maintained within the company.

Rather, cooperation and technology partnerships play an increasingly important role for them in order to be able to offer end-to-end consulting services.



**Technology partnerships
and cooperation for
effective use of
analysis tools and
end-to-end-consulting**





Conclusion and summary

Despite high growth in the past, consulting companies are confronted with several challenges (e.g. shortage of skilled workers, price pressure, COVID-19 crisis). The high growth, the high capacity utilization, the numerous project requests as well as the high client orientation, left consulting firms little time for their own internal development and digitalization. Consultants need to analyze the constantly growing data volumes in client projects in a meaningful way and derive recommendations for action from this. A high level of analysis capability and data competence is therefore essential for the majority of consulting companies and requires a profound technical (data) understanding from each individual consultant.

DATA-BASED ANALYSIS TOOLS MOVE INTO THE FOREGROUND

In data-driven organizations, data-based analysis tools offer numerous advantages over traditional methods (e.g. more objective basis, fast results). They play an increasingly important role in times when the focus of investment is on topics such as digitalization, efficiency increase & cost reduction as well as business analytics & big data.

PROCESS MINING AS STANDARD FOR DATA-DRIVEN PROCESS ANALYSIS OFFERS NUMEROUS ADVANTAGES

A consultancy that is able to quickly evaluate the status quo in the client company, identify inefficiencies and show improvement potential has a clear competitive advantage. Process Mining has already been established as a standard for data-driven and fact-based process analysis and enables consulting firms to focus on higher-value services, value-adding activities and creative improvement measures. In addition, consulting firms can simultaneously open up new offers and revenue sources to the benefit of the client. As an example, by offering continuous monitoring as a managed service of consulting services.

PARTNER ECOSYSTEMS FOR AN EFFECTIVE USE OF ANALYTICAL TOOLS

It is impossible for a consultancy to always be able to demonstrate the current competencies in such a broad field as digitalization. That is why technology partnerships and partner ecosystems are becoming increasingly important for consultancies in order to tap the advantages of digitalization for the benefit of their clients.

Conclusion and summary



The volume of the consulting market has doubled within ten years and promises positive future prospects once the COVID-19 crisis is overcome.



Despite the high growth in the last ten years, the consulting market is also confronted with current challenges such as the COVID-19 crisis, shortage of skilled workers, price pressure and stagnating returns on sales.



High growth, high capacity utilization, numerous project enquiries and a high degree of client orientation mean that consultancies have little time for their own internal development and digitalization.



Consultancies have to deal with the constantly growing data volumes in client projects. A high level of analytical skills and data competence is therefore essential for the majority of consultancies and requires a deep technical (data) understanding from each individual consultant.



Data-based process analysis methods offer several advantages over traditional methods: objective and transparent basis, fast results, continuous process improvement and navigation through all tracked processes.



With Process Mining as a data-driven process analysis, a clear competitive advantage can be achieved by quickly evaluating the status quo in client companies, identifying inefficiencies in a targeted manner and initiating sustainable measures.



Process Mining enables consultancies to focus on higher-value services, value-adding activities and creative improvement measures.



Software does not replace consulting services! Clients rely on the expertise of management consultants in developing and implementing solutions. This is because the best analysis tools are only of any use if the results and the identified potentials are put into action in the context of an implementation-oriented consulting or transformation project.



Partner ecosystems are also becoming increasingly important for consulting firms, as not all competencies are available in-house in such comprehensive field as digitization. Therefore, external partners are more important than ever.



Assets with intellectual property become the decisive success factors in pitches for consulting projects



Dr. Christoph Kisker,
VP Digital Consulting
Celonis SE

One of the technologies contributing significantly to the digitalization of the consulting market is Process Mining. Celonis has specialized in the cooperation with management consultants and can already look back on a long history of cooperation with the consulting market. In this interview, Dr. Christoph Kisker, VP Digital Consulting at Celonis SE, shares his experiences and gives insights into the practice.

LÜNENDONK: Celonis is the world market leader in Process Mining. What is behind this technology?

KISKER: As digitalization progresses across all industries, the amount of data generated by companies is continuously increasing. IT systems supporting business processes (ERP, CRM, Production Planning etc.) store every click of a user in log files. Process Mining uses these digital footprints to reconstruct and visualize business processes end-to-end with just a few clicks. This enables detailed analysis of client's processes across departments and direct access to all activities within the processes throughout the client.

On average, users get a real-time overview of 2,000 to 3,000 variants of client processes. Processes are analyzed with intelligent algorithms for inefficiencies and to identify potential for improvement. In addition, consultants have the option of manually analyzing client processes in an explorative manner and to develop process excellence roadmaps for compliance and performance. However, for software solutions such as the Celonis Intelligent Business Cloud, Process Mining is only the basis for automated process improvement, which allows AI-supported active intervention in the processes.

LÜNENDONK: In 2017, the German newspaper Süddeutsche Zeitung wrote that Celonis software makes management consultants redundant. Of course, this is a bit exaggerated, but how close are you on this?

KISKER: Process Mining has already become the standard for data-driven and fact-based process analyses. Of course, this means that some typical consulting services from the past are now automated.

In the future, the industry-specific deviation of measurements, including benchmarking, will likely be automated as well. Nevertheless, clients will have increased demand on the expertise of management consultants for implementing measures and change management within the specific context of the client.

In the past, digitalization of specific industries has always led to an expansion of the corresponding industry market. Of course, one can argue that the camera company Kodak has gone bankrupt with the digitalization of photos, but on the other hand, digital images have made the rise of Facebook, Instagram or Amazon possible in the first place. For example, the process inefficiencies at the clients which are revealed by Process Mining become a business-case driven project generator for further implementation projects.

LÜNENDONK: You are the global head of the Digital Consulting division at Celonis. What is that all about?

KISKER: The digital transformation is just starting to reach the consulting market and will fundamentally change Professional Services. I am convinced that the possibilities of digitalization as a disrupter will ultimately lead to a significant expansion of the consulting market - but will also result in winners and losers. Celonis Digital Consulting is a team of experienced, former consultants who support our partners in integrating the capabilities of Celonis into their service offerings. Due to our expertise, we have an extended understanding of how technology leads to new and improved consulting offerings in the market. Our partners include management consultants, auditors, migration consultants and tax firms. It is exciting to see how Celonis provides great added value for the entire service portfolio of an auditor. This includes – to just name a few areas of application - audit, internal audit, forensic investigation, tax, M&A, system migration etc.

LÜNENDONK: How do clients benefit from these digitalized consulting services?

KISKER: Due to automated process discovery, with 100 percent end-to-end transparency of all activities along the company's processes, clients do not have to allocate resources for interviews any longer. Furthermore, clients only pay for value-added consulting activities with direct ROI impact, such as the implementation of process improvement measures. The data-supported and objective process analyses enable companies to better argue the improvement measures and promote objective discussions between departments. This results in a new fact-based transparency of consulting projects and its corresponding business case. It is the basis of new billing models for consulting services, such as value-based pricing. At Celonis, the possibility of this consulting approach is already integrated, allowing consultants to demonstrate the business case for further projects and to justify the projects to customers.

LÜNENDONK: Where do you see the added value of Celonis for consulting companies?

KISKER: The focus of consulting services is shifting to value-adding activities and the development of creative improvement measures based on the full process transparency at clients. In addition, technologies such as Celonis allow consulting companies to digitalize their own process knowledge from the heads of their consultants into scalable assets. By digitizing the internal knowledge of consulting companies, a global standard of project approaches can be established and firms can roll out a new predefined analysis and assets via cloud technologies, like Celonis in real-time to all engagement teams. Project experiences from decentralized projects can be directly transferred into a centralized project approach library.



This digitalized consulting knowledge can also be made available to clients on an ongoing basis via the cloud and therefore enables the development of new types of revenue for consulting companies, such as subscriptions. Digitalization also promotes collaboration in global projects. Modern cloud solutions enable project teams to easily collaborate remotely and flexibly allocate resources for data analysis across different projects. With Celonis, Consultants can join parallel projects in Australia, Germany or Canada in a few clicks and contribute their process knowledge globally.

LÜNENDONK: How can consultants use Process Mining for their projects?

KISKER: With its Digital Consulting Platform, Celonis offers consultants the opportunity to use Celonis technology for their projects. Licensing costs can be charged directly to the consulting project. The Celonis Event Collection enables consultants to connect to all common IT systems of the client. In most cases, the analysis results are available within a few hours. With our managed services program (Celonis-as-a-Service), Celonis provides a guided journey to digitalize consultancies knowledge into IP Assets (Intellectual Property) and bundle it with services into tailored and branded solutions in the market. These scalable solutions are based on the Celonis platform, which include all Celonis capabilities, to solve specific client challenges. These could be in the area of working capital, tax compliance or finance transformation. Consultancies can provide these solutions to all clients on a long-term basis and become independent of short-term project revenue.

Bundling of technology within a holistic consulting approach enables consultancies to provide more sustainable project impacts and allow the consulting company to take over responsibilities for these

managed services as a trusted advisor for years. The exclusive transparency on inefficiencies into client processes creates additional business cases for process improvement projects.

LÜNENDONK: How do you see the future of the consulting market?

KISKER: Technological developments will significantly transform the opportunities for consulting and audit firms. While the biggest disruption to the professional services market in the last 100 years was the introduction of PowerPoint/Excel in the 1990s, the pace of change will accelerate exponentially in the coming years. For management consultants, technologies are the basis on which differentiated service offerings are created. In addition to the consultant CVs and methodologies, specific assets with own IP on key technology platforms will be decisive success factors in project pitches. Digitalized consulting know-how can be obtained by clients via digital channels as the Celonis Cloud. This leads to an expansion of the consultancies business models and makes subscriptions to knowledge a significant share of sales. Digitalization will make the consulting industry scalable and gain greater independence from the personnel used. By using technology such as Celonis, for example, full and continuous audits will become the standard in auditing. In future, mandates will be won in the market using algorithms, which will open new opportunities for smaller auditors and completely new market players. As digitalization leads to a transformation in the professional industry, the sector will remain a people business. Technologies are the basis on which the value of consultants is shifting more and more towards value-adding and creative work with measurable ROIs. As I mentioned before, I believe that digitalization will lead to significant revenue growth with exciting new services and new market participants.



Case Study: Process Mining for Operational Excellence initiatives

INITIAL SITUATION

Company processes as the basis for competitive value creation have always been an important pillar for management consultancies in the optimization of relevant target figures. Whether it is improving delivery reliability, improving the reliability of the supply chain, increasing production flow, optimizing working capital utilization or increasing operating efficiency; the achievement of all these goals is decisively justified in corporate processes. Particularly in the case of mid-sized companies and global corporations, processes will lead to considerable increase in friction due to the inefficient use of employees and capital if not actively designed, monitored, and controlled.

A leading global management consultancy applied Celonis Process Mining within an Operational Excellence project.

The objective of the Operational Excellence initiative at an international consumer goods client was to increase process efficiency and corresponding cost reduction in the purchasing department.

PROBLEM

Within the scope of the project, the processes Purchase-to-Pay (P2P) and Accounts-Payable (AP) of the client are to be analyzed in detail, improvement measures derived and implemented in possible follow-up projects. Up to now, the consulting firm has applied common Business Process Mapping methods for process optimization. With this analogous approach, consultants carry out observational studies and employee surveys in order to simulate process steps and uncover inefficiencies. However, the insights gained from these studies are very limited due to the lengthy, subjective and constrictively representative data collection.



Especially as the P2P and AP processes spanning across multiple departments, locations, and business partners. In addition to that, the lack of process documentation made it difficult for the management consultancy to obtain informative and reliable results on the client's process landscape from process mapping. With agreed fixed project costs, too many resources were often spent in the analysis phase instead of generating a value-add for clients by focusing on derivation and implementation of improvement measures in the past.

APPROACH

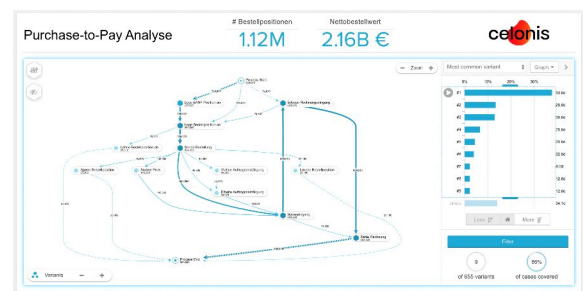
In order to meet these challenges, the consulting firm used Celonis Process Mining instead of analog process mapping for analysis and problem solving. Celonis allows obtaining a fact-based, continuous and 100% transparency of end-to-end processes through IT-based data collection. Thanks to out-of-the-box connectors and analyses in the Celonis Intelligent Business Cloud, the consultancy was able to start evaluating client data from the underlying SAP system with customized tables within two days.

RESULTS

Initial exploratory analyses have already yielded many important findings. For example, a subsequent price change was carried out for 14% of all order items of the client, which were only 18% automated. With regard to compliance, it was found that 12% of all orders were Maverick buying cases. Particularly alarming was the realization that 36% of all order items were internal accounting with a high rate of manual work steps. Overall, a total savings volume of 15 million euros was identified.

With the help of the AI-supported target/actual process comparison as well as automated action derivations by Celonis, the management consultancy identified the causes for these inefficiencies and derived concrete recommendations for their elimination. Thus, the client was able to achieve cost savings of around 2.4 million euros and 30 FTE were being allocated to support other areas of the company.

Compared to process mapping, Celonis Process Mining can provide process insights with 100% coverage of all process steps and variants. Thanks to tailor-made KPIs, it was quickly apparent how improvement recommendations should be prioritized to ensure maximum ROI for the client.



Exemplary presentation of the results of a Celonis analysis

Due to the identified quantified automation potential, including a measurable business case for the client, the consultancy was able to win several follow-up projects such as the implementation of RPA bots and process improvements. In addition, the consultancy built up their own solution on Celonis platform during the project. A long-term deployment of this solution including services for continuous improvement over the next three years is currently be discussed.

COMPANY PROFILE

Celonis SE



WE TRANSFORM PROCESSES INTO EXTRAORDINARY EXPERIENCES

Celonis is the market leader in the field of Enterprise Performance Acceleration Software. Our Process Mining technology helps companies to eliminate operational friction losses and become a Superfluid Enterprise. Companies around the globe, including Siemens, L'Oréal, Uber, Citi, Airbus and Vodafone, rely on Celonis to drive their transformation. Celonis' Process Mining technology transforms their business processes into extraordinary experiences and enables savings in the millions.

THE SUPERFLUID ENTERPRISE

Celonis eliminates the classic, time-consuming, costly and consulting-intensive approach to implementing transformation initiatives. In times of constantly changing requirements and client needs, world leading companies can no longer rely on anecdotal data or static dashboards for process optimization. Our Process Mining technology makes it easier than ever for companies to visualize their IT data and reconstruct process flows - across company departments, national borders and operational systems.

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ABOUT LÜNENDONK & HOSSENFELDER

Lünendonk & Hossenfelder, based in Mindelheim (Bavaria), has been analyzing European business-to-business (B2B) service markets since 1983. The market researchers focus on the following sectors: management and IT consulting, auditing, tax and legal consulting, facility management and maintenance as well as personnel services (temporary employment, staffing). The portfolio includes studies, publications, benchmarks and advice on trends, pricing, positioning or award procedures. The large data stock enables Lünendonk to derive insights for recommendations for action. For decades, the market research and consulting company has been publishing the "Lünendonk® lists and studies", which are considered market benchmarks. Many years of experience, sound know-how, an excellent network and - last but not least - a passion for market research and people make the company and their consultants sought-after experts for service providers, their customers and journalists. Every year, Lünendonk and a media jury award the Lünendonk Service Awards to deserving companies and entrepreneurs.

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