



# Achieving quick wins with **Process Mining**

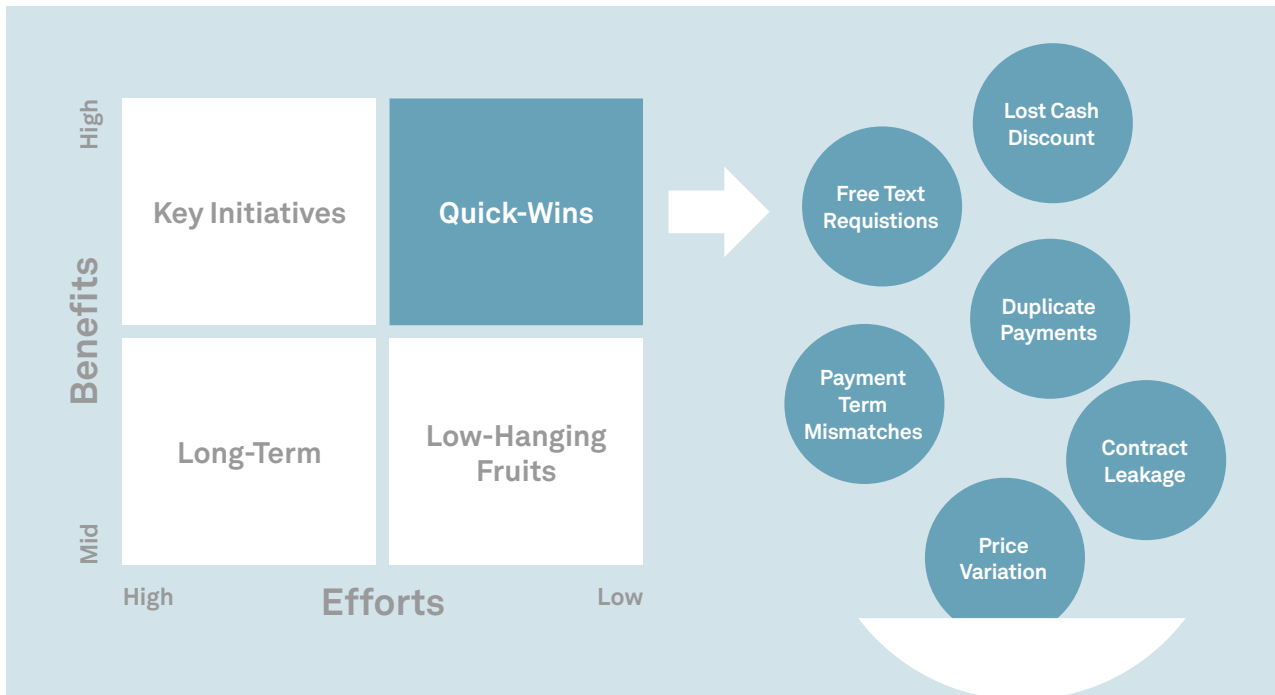
Imagine being able to identify in real-time where resources and therefore funds are being wasted in your company. The use of process mining for the chemical and pharmaceutical industry allows you to do just that and is therefore a promising technology to identify opportunities for efficiency improvements. Through the recognition of patterns in combination with the use of industry-specific best practices and benchmarking, it is possible to evaluate data regarding process performance and translate the results into detailed analyses and reports.

Instead of making subjective assessments of which processes are running smoothly or have problems, process mining can enable real-time, data-based decisions on the process quality and pinpoint weak points or performance deficits. It is then possible to progressively identify those business processes that will yield the highest level of success when optimized. Additional momentum and greater acceptance can be achieved by focusing on quick wins.

The implementation of quick wins at the start of a process optimization project offers several advantages. On the one hand, this enables an extremely fast return on investment (ROI), as it is possible to leverage significant potential with relatively minimal effort. On the other hand, quick wins increase acceptance of the topic of process mining among business departments.

The initiatives included in an optimization project using process mining are usually classified in a "benefits-efforts matrix". This is used to visualize the relationship between implementation speed or effort and the expected benefits of the initiatives. In this way, an efficient implementation plan can be drawn up to maximize the benefits.

**Extract of quick wins regarding Procurement / Accounts Payable**



Examples of quick wins regarding “Procurement / Accounts Payable”. These key performance indicators can already be evaluated without in-depth process analyses and involvement of the business departments. Initial benefits can already be identified here due to the transparency created using the data base. Three of these key figures are outlined briefly below.

**Duplicate Payments**

**Description**

“Duplicate payments” refer to an event in which a company pays an invoice more than once. This can happen accidentally and results in the supplier or service provider being paid twice for the same service or goods. These duplicate payments can lead to unnecessary costs and losses and have a negative impact on the company’s liquidity. Furthermore, the discovery and recovery of these payments can cause additional administrative effort and costs.

**Causes**

- Double entry of invoices due to different processes or systems.
- Errors during manual entry of invoice data or during payment approval.
- Insufficient coordination and communication between different departments, e.g. purchasing and accounting.

**Benefits**

On average, duplicate payments can account for around 0.1% to 0.5% of a company’s annual expenditure. For a medium-sized company with a purchasing volume of > EUR 300 million, this can amount to a 7-digit Euro amount per year.



**Lost Cash Discount**

**Description**

“Lost cash discount” refers to foregone cash discounts that a company loses as a result of invoices not being paid within the discount period specified by the supplier. Realizing cash discounts can contribute significantly to reducing costs and improving a company’s liquidity. If these discounts are not utilized, this can lead to unnecessary expenses and affect the company’s profitability.

### Causes

- Delays in processing invoices or releasing payments.
- Errors when entering invoice data or processing payments.  
Insufficient available funds to pay invoices promptly.
- Discounts are not identified and applied as a high priority.

### Benefits

Companies may lose anywhere between 0.5% – 1.0% annually in savings on their purchasing volume due to lost cash discounts. These estimates are based on typical discount terms, such as a 2% discount for payment within 10 days, which equates to a high interest rate when annualized.

### Payment Term Mismatches

#### Description

“Payment term mismatches refer to discrepancies between the agreed payment terms in a contract and the actual payment terms applied upon invoicing or settlement. Payment term mismatches are critical as they can have a negative impact on a company’s financial planning and liquidity management. If the actual payment terms are less favorable than the contractually agreed terms, this can lead to unex-

pected interest costs or liquidity bottlenecks. Conversely, failure to take advantage of more favorable payment terms can lead to missed cash discounts.

### Causes

- Errors when entering payment terms in accounting systems or during invoice processing.
- Lack of coordination between the departments that negotiate the contracts and the departments that process the invoices.
- Use of outdated accounting and ERP systems that do not enable automated verification of payment terms.
- Difficulties in interpreting and implementing complex payment terms in daily operations.

### Benefits

The payment term mismatch rate in companies varies by industry and company size, but typically up to 5% of spending is affected by such discrepancies. This rate refers to the difference between the contractually agreed payment terms and the actual payment terms applied, which can lead to financial disadvantages and inefficient cash flow management.

# CONCLUSION

### Conclusion

A small number of quick-win potentials already offer great benefits! By identifying and eliminating inefficient process steps, it is possible to realize immediate cost savings. In the area of “Procurement and Accounts Payable” alone, the time required to realize ROI can be significantly reduced with just a few “quick-win” measures from process mining projects. Companies can not only benefit financially, but also due to optimized workflows and increased employee satisfaction. In addition to in-depth industry expertise, msg industry advisors have extensive process know-how, which enables us to provide you with tailor-made solutions. This enables you to quickly implement process mining as a key technology with a high degree of precision and effectiveness.

Your contact for process mining:



**Daniel Fathmann**

Senior Manager

+49 172 361 9752

Daniel.Fathmann@msg-advisors.com



**Raluca Wurzinger**

Manager

+49 152 2179 5487

Raluca.Wurzinger@msg-advisors.com

msg industry advisors ag

Robert-Bürkle-Str. 1 | 85737 Ismaning/Munich | Phone: +49 89 961011-300 | Fax: +49 89 961011-040

www.msg-advisors.com | info@msg-advisors.com

