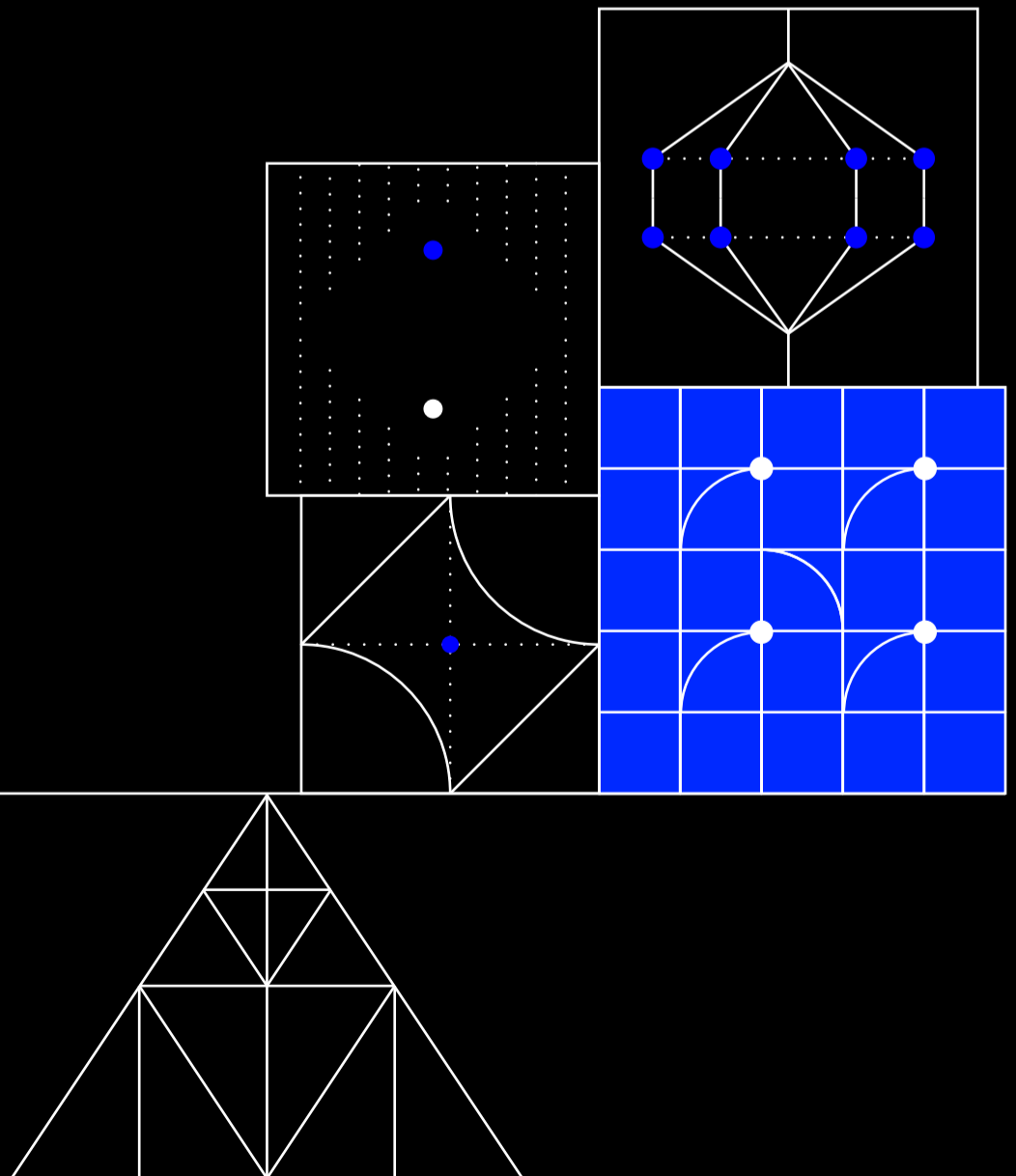


The Process Era is Here IT Edition

How IT leaders are using processes as a lever for value and a driver for innovation



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IT leadership in a time of digital transformation

Digital transformation is reshaping the role of enterprise IT. Whether it's dealing with the latest cyber security threats or implementing emerging technologies, IT departments must adapt quickly to the latest developments.

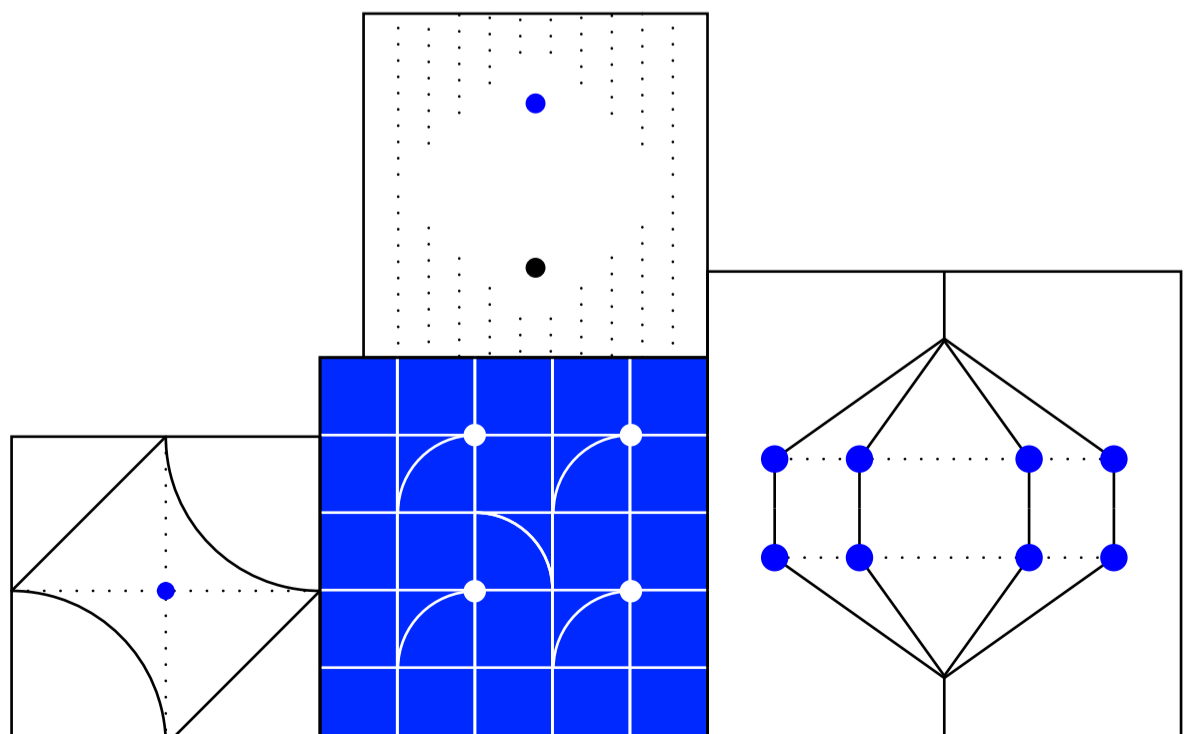
Keeping pace with rapid change requires IT departments to optimize their processes to maximize efficiency and effectiveness. IT leaders understand this, with 84% seeing processes as their greatest lever for value and fastest lever for change, according to our research. Just how many are actually using that lever to its full potential is, of course, another question.

We surveyed 300 IT and digital leaders from large enterprises in Europe and the United States to discover how they currently optimize their processes. This report is largely based on the findings of that survey. As the 300 responses formed part of a broader survey of over 1,200 business leaders from supply chain, process and operations, and finance, as well as IT, we also highlight cross-functional trends where useful.

The results reveal a sea change in the way enterprises create value. The process era is here: an era in which optimizing processes will be as foundational to business success as product development, finance, or sales. IT leaders have a strong grasp of the importance of processes. In fact, a full 100% believe process optimization is important (or even essential) to meeting organizational objectives.

IT leaders are pursuing process optimization to fuel innovation and drive real business value. They have a greater understanding of process complexity than other functions, and are the most likely to use tools such as process mining to unravel this complexity.

There's still a long way to go, with sub-optimal processes currently costing time, money, and employee morale. But reassuringly, 87% of IT leaders say process excellence will emerge as a core business discipline within the next five years. This presents a significant opportunity for individuals unwilling to accept the status quo, and IT teams ready to improve how their organizations work. The time for these visionary leaders to galvanize change and drive real business value is now, in this era, and processes are the lever to use to make it happen.

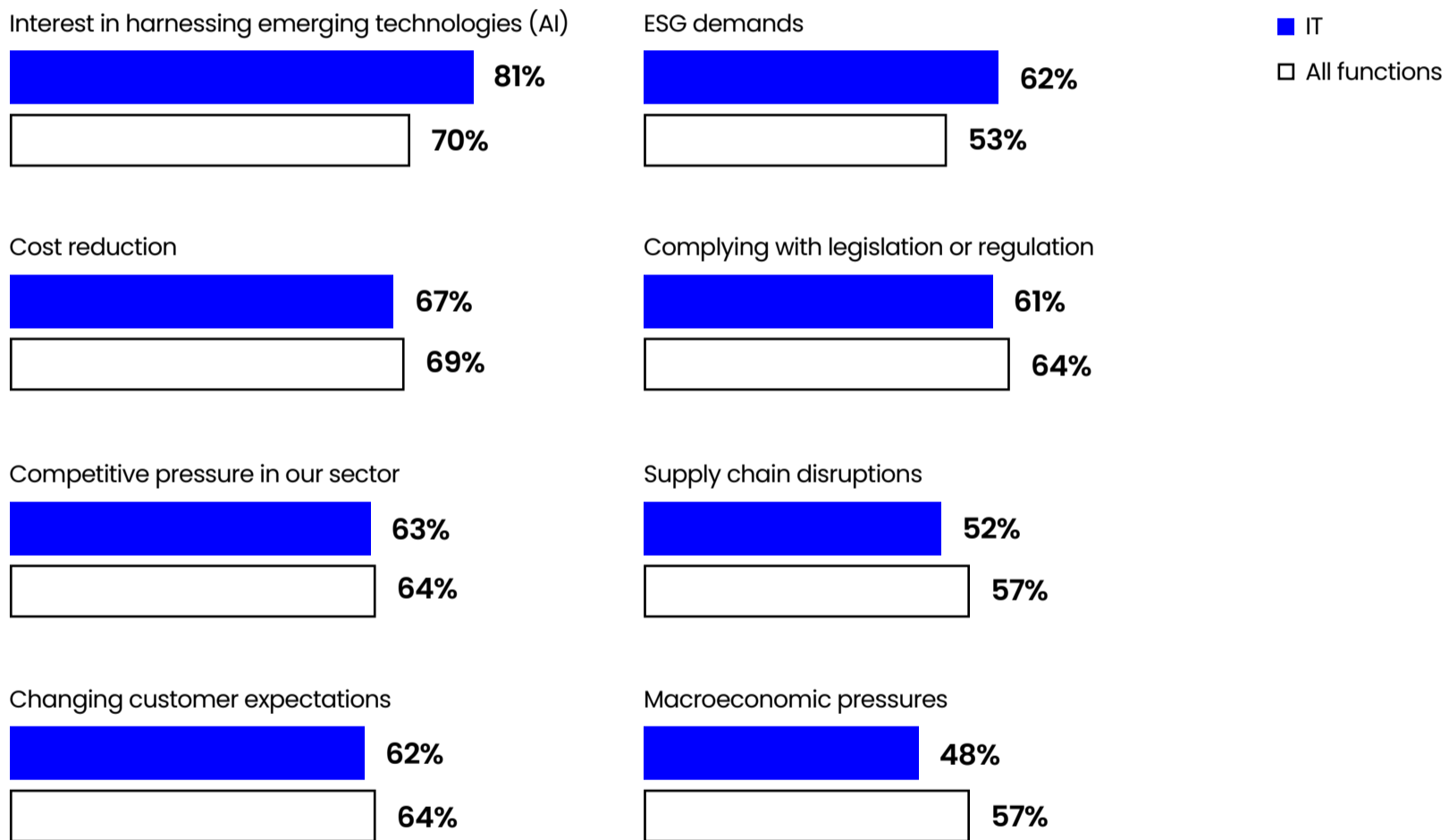


The process optimization imperative

IT leaders recognize the power of processes as a lever for value, with 88% saying process optimization can deliver bottom, top, and even green-line value at the same time. To better understand their priorities, we asked the 300 IT leaders who took part in the survey to identify the top five factors that will drive their need to optimize processes in the coming year.

There's a clear winner.

■ Factors driving process optimization



Business leaders across IT, supply chain, finance, and process and operations share a consensus on the main factors driving process optimization. But the extent to which IT leaders recognize the importance of optimizing processes to harness emerging technologies like AI is striking, with 81% placing it in their top five factors, compared with just 70% in the cross-functional survey.

Keeping costs under control is their second process optimization priority, while responding positively to continually shifting circumstances (such as competitive pressures, changing customer expectations, and ESG demands) comes next.

Let's take a closer look at these three opportunities.

Harnessing AI and innovation

IT leaders may be best placed to understand the enormous value AI can unleash for their organization. But they are also best placed to understand the foundations enterprises must lay before AI can truly deliver on its promise. As we've seen, 81% of IT leaders say interest in harnessing AI and other emerging technologies is a major factor driving the need to optimize processes in the next 12 months.

There's clear momentum around AI. In fact, the vast majority (94%) of IT leaders are already using or actively implementing AI, so they have first-hand knowledge of what is required for a successful implementation. And over two-thirds (68%) of these say they are concerned that process shortcomings may hold back further successful implementation of AI (as well as automation and other emerging technologies) in the next two years.



94% of IT leaders are already using or actively implementing AI

Of these, 68% are concerned process shortcomings may hold back further implementation of AI in the next two years

Reducing costs and controlling cash flow

Cutting costs is an inevitable priority across most industries and functions right now. So it's no surprise 67% of IT leaders put it in their top five factors driving process optimization in the year ahead.

What's more, 86% feel process optimization grows in importance during times of economic instability. As we'll see later, almost half of IT leaders feel cost reduction will be one of the top three outcomes of fully-optimized departmental processes alongside revenue growth.



86% of IT leaders feel process optimization grows in importance during times of economic instability

Adapting to change

Many of the factors driving the need for process optimization relate to external changes in the business environment. These include responding to competitive pressure, meeting changing customer expectations and ESG demands, and complying with regulations.

What's more, two-fifths (41%) say the flexibility to respond to change quickly will be one of the top three outcomes of fully-optimized processes within their function. IT leaders clearly see process optimization as a route to increased flexibility, allowing businesses to seize opportunities in a continually changing environment.



84% of IT leaders say processes are their greatest lever for value and their fastest lever for change

ESG is a big deal in EMEA

Meeting ESG demands is seen as a more significant factor driving the need for process optimization by IT leaders in EMEA (68%) and the DACH region (64%) than by those in the US (54%).

Processes are the lifeblood of organizations

Considering how foundational processes are to anything an organization does, it's no wonder IT leaders think they're important. More than four-fifths (83%) agree processes are the lifeblood of their organization.

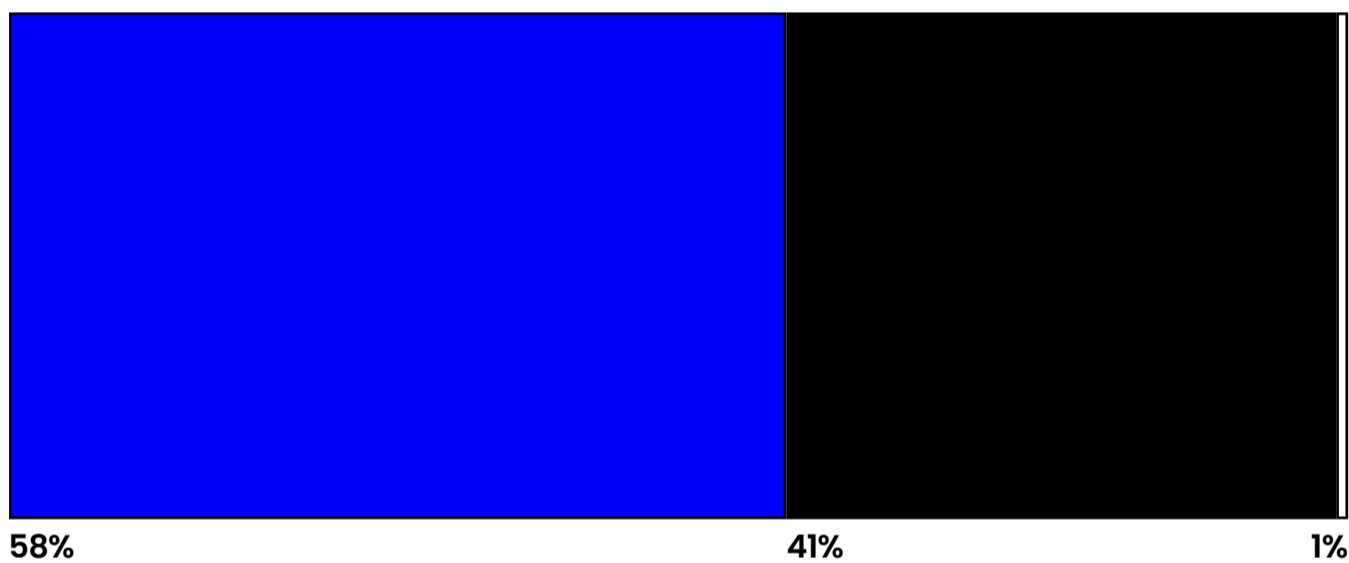
But the extent to which IT leaders recognize the power of processes as a value lever is notable. A decisive 100% believe process optimization is important or even essential to meet organizational objectives, and 99% say the same about departmental objectives.

83%

of IT leaders say processes are the lifeblood of their organization

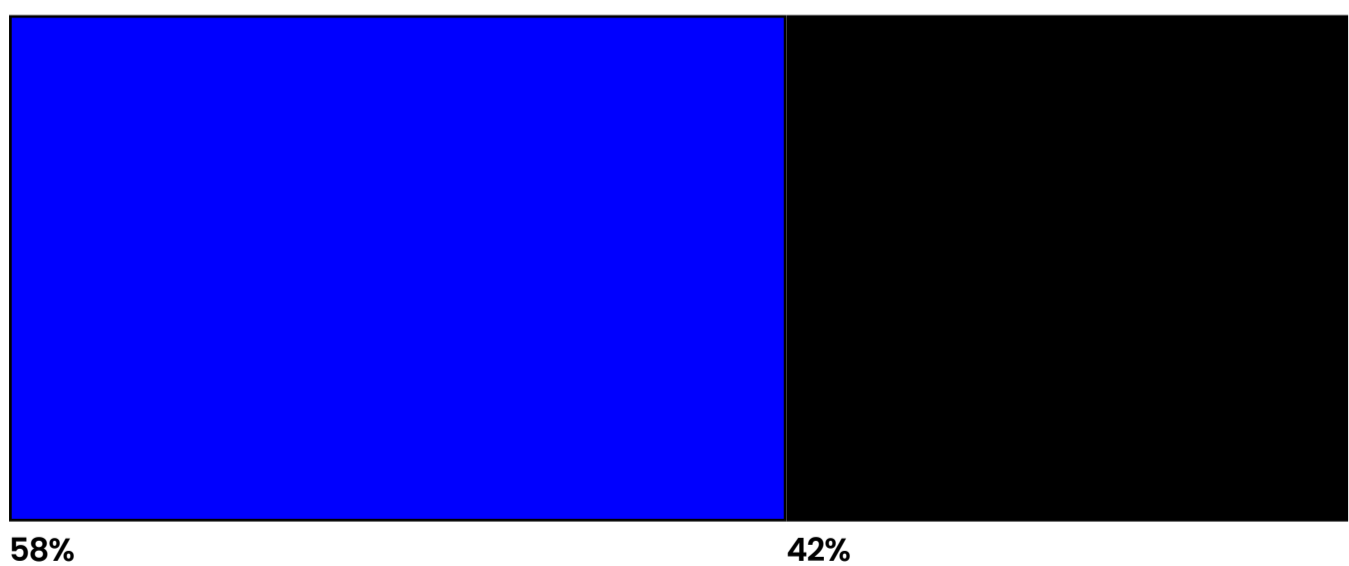
■ Importance of optimizing processes

To meet IT objectives



- Essential
- Important
- Not important

To meet organizational objectives

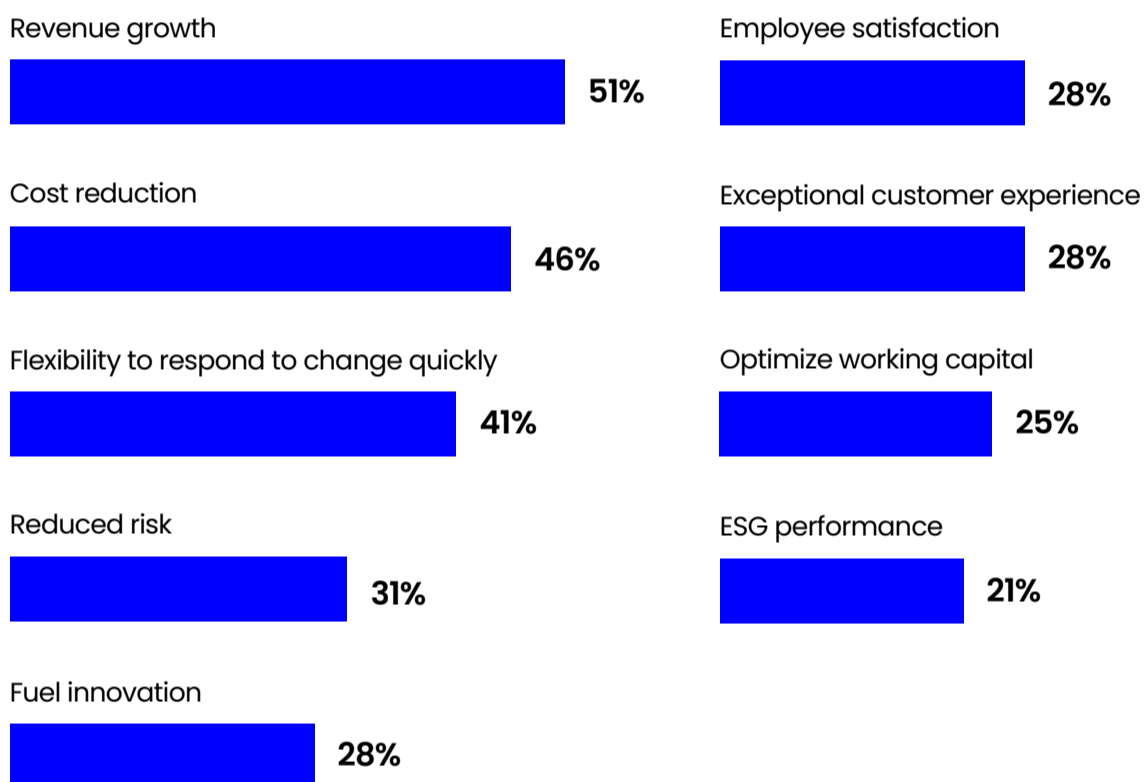


The outcomes of process optimization

It's clear IT leaders understand the need to optimize processes to meet their objectives, both at the function and organizational level. To get a deeper understanding of the specific outcomes they're achieving or believe can be achieved by using the process lever, we asked them to pick their top three.

In the current economic climate, it's no surprise that financial concerns such as revenue growth and cost reduction top the list, or that outcomes such as the flexibility to respond to change and reduced risk aren't far behind.

■ The top outcomes of optimized IT processes



Processes fuel innovation in Europe

IT leaders in DACH (38%), and the rest of EMEA (30%), are more likely to believe that optimizing processes will fuel innovation than those in the US (17%).

Overall, enthusiasm for process optimization is high. But there are many obstacles in the way, causing businesses to pay a high price, as we'll see in the next section.

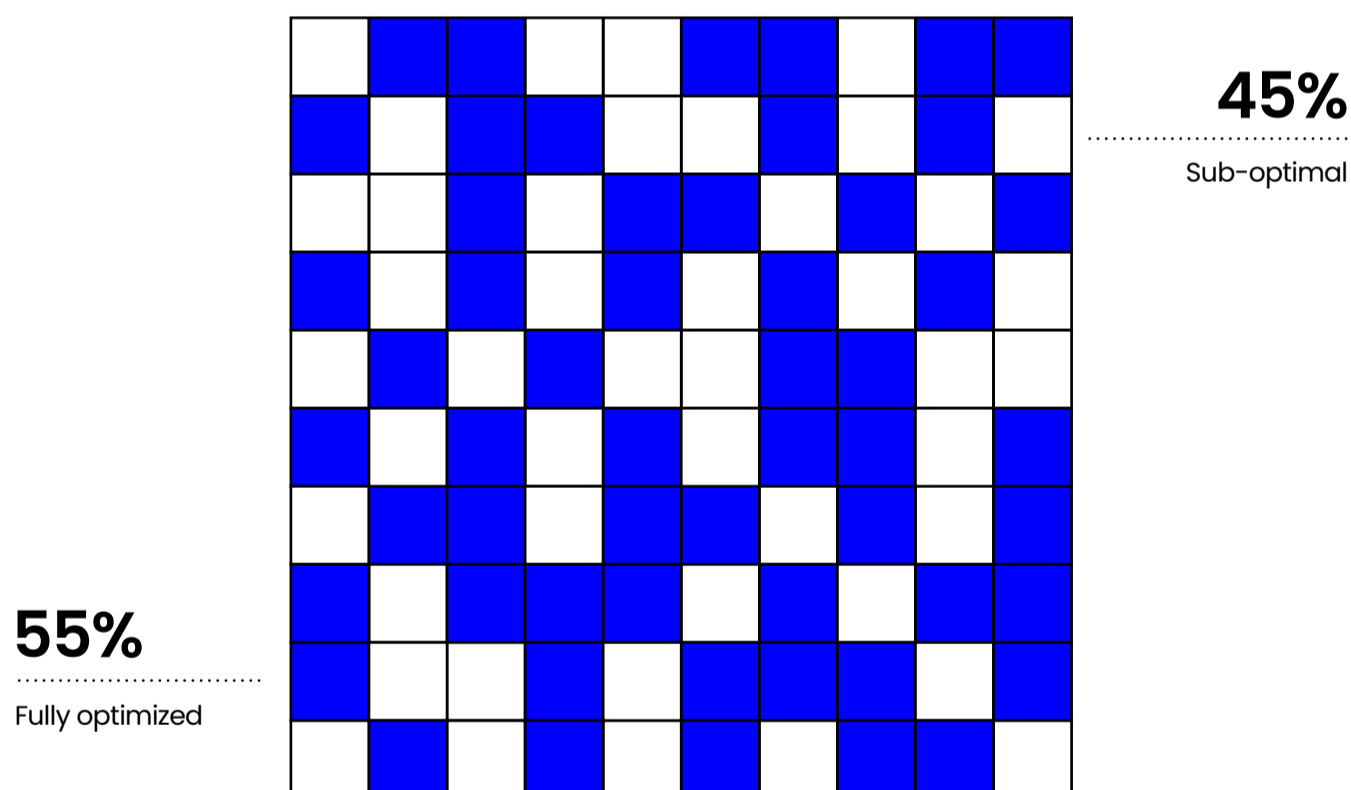
Processes aren't running as they should

IT leaders understand the critical role processes play in underpinning business performance in the digital world, and the appetite to use those processes as a lever for value is strong. But enthusiasm doesn't necessarily translate into action. The reality is many businesses are struggling with sub-optimal processes, both within and across enterprise functions and departments.

Improvements are proving elusive. On average, only one in two *business-critical* processes within the IT department are seen as fully optimized. That means around half of processes like IT service management or incident response are running in a sub-optimal way.

And of course, there's a high chance the 55% of processes that *are* seen as fully optimized could still be improved. Leaders' perceptions of process performance within their departments don't necessarily reflect the on-the-ground reality.

■ Business-critical processes within IT



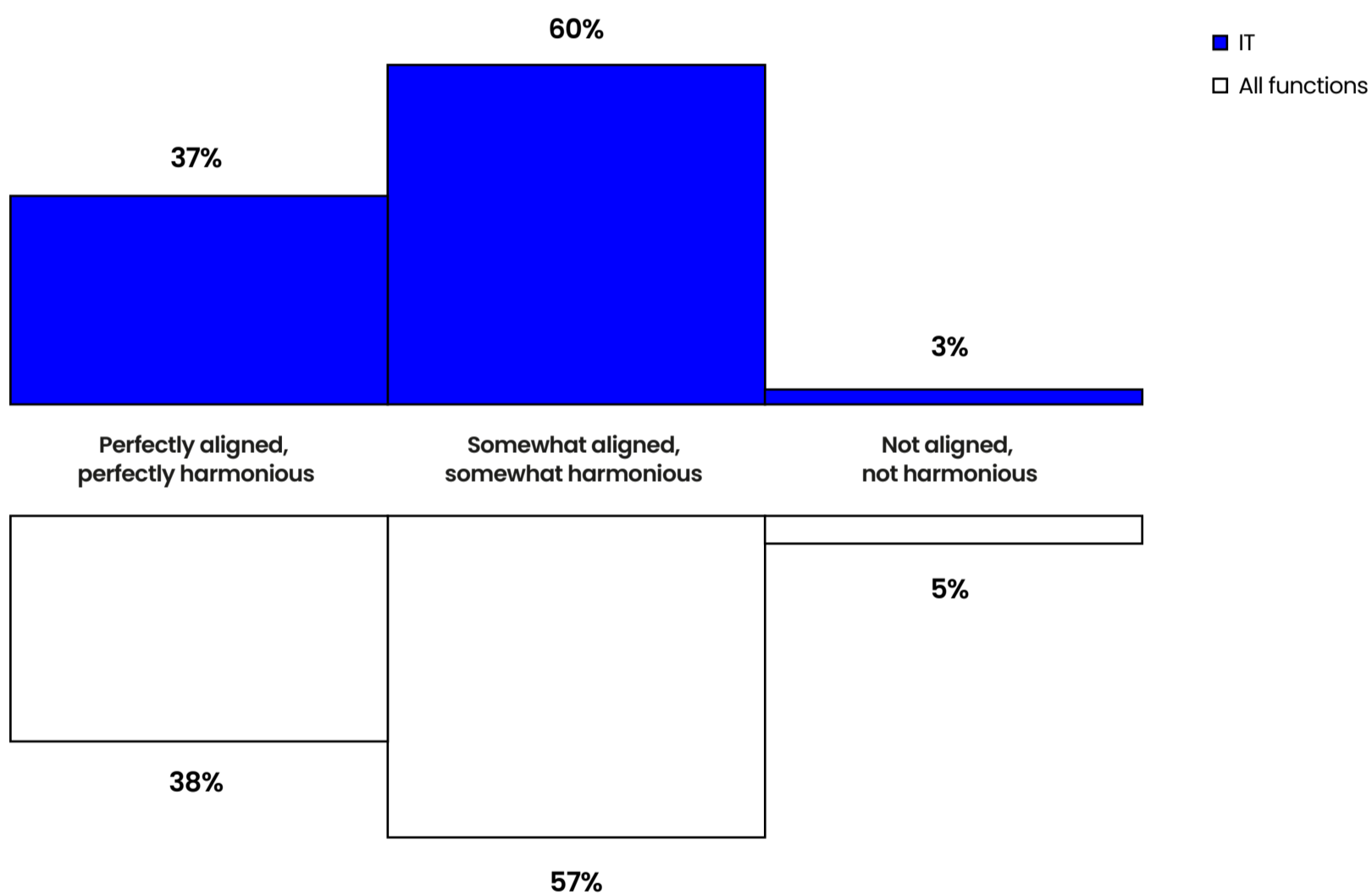
A question of process perception

Only 53% of IT leaders in DACH consider more than half of their departmental processes to be fully optimized, compared with 75% in the rest of EMEA and 70% in the US. This may indicate process optimization is more advanced in some markets, or it may simply indicate a difference in how process effectiveness is perceived in these regions.

A similar picture emerges when considering cross-departmental processes, which is hardly surprising. If businesses have sub-optimal processes within individual departments, they're unlikely to have harmonious processes running across multiple functions.

When asked to describe the cross-departmental processes in their business, 60% of IT leaders say they are 'somewhat aligned' compared with just 37% who describe them as 'perfectly aligned'. This view is broadly in agreement with that of the business leaders we surveyed across the supply chain, process and operations, and finance functions.

■ Cross-departmental process alignment



Process optimization is being neglected

Overall, IT leaders appear to have a more forward-thinking and proactive approach to process optimization than peers in other functions. Almost half (46%) of the business leaders in the cross-functional survey say they don't think about process performance until something goes wrong. But this figure drops to 36% for IT leaders (and falls even further to 27% for IT leaders in the US).

Process optimization is a relatively broad concept that means different things to different people. For this research, we define it as:

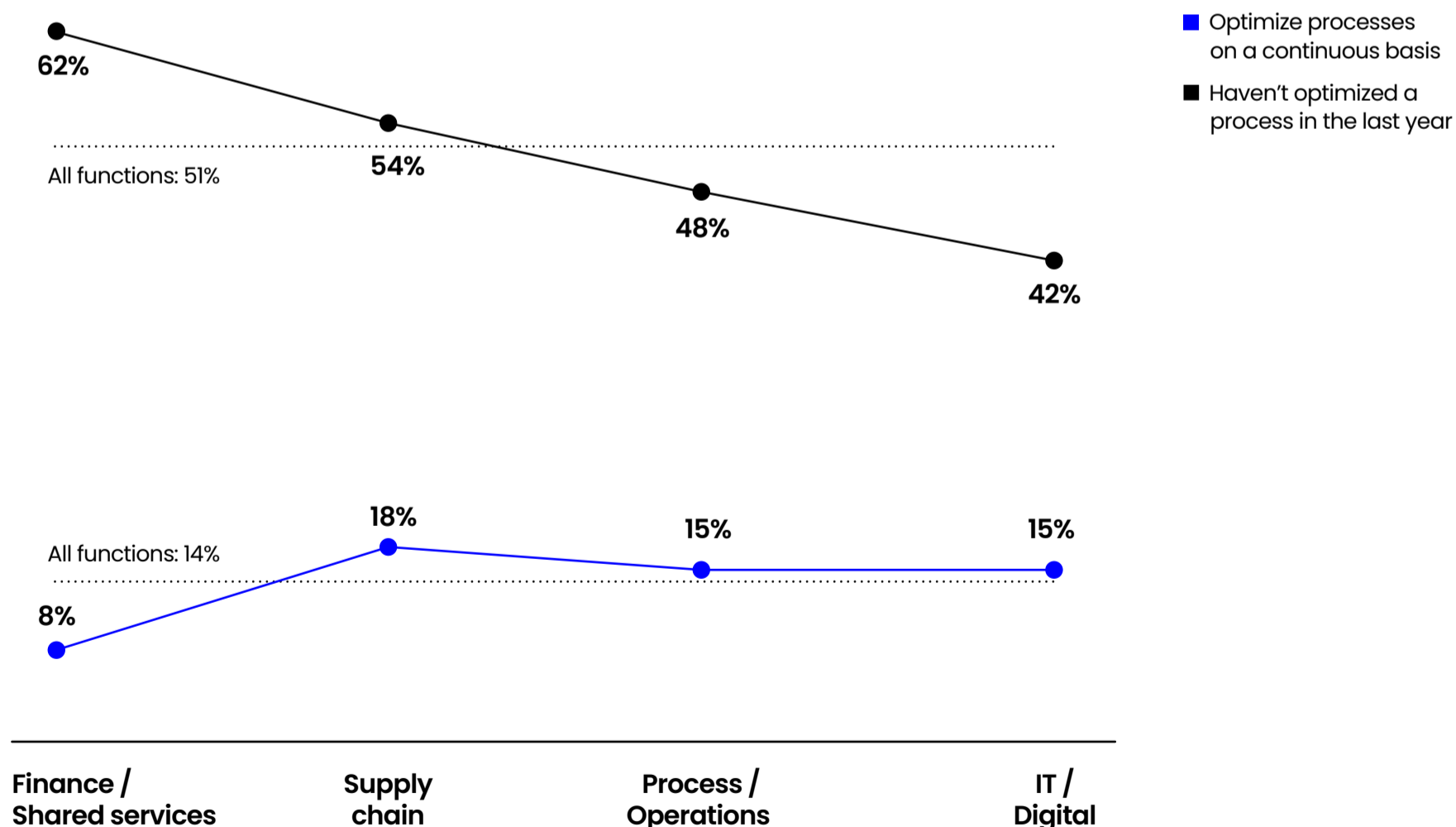
“Pinpointing a business-critical process that needs improvement, identifying the root cause of the problem, and then taking effective, sustainable action to optimize that process to drive a high-performance outcome.”

Having established this definition, we asked IT leaders about the last time their department optimized a process.

The results reveal IT leaders are process optimization first-movers when compared with other functions. As an example, 36% say they have optimized a process within the last six months compared with just 20% of finance leaders.

However, process optimization is still being widely neglected. Despite IT leaders' emerging role as process pioneers, only 15% say they optimize processes on a continuous basis. Almost half (42%) haven't optimized a process in the last year.

■ Process optimization frequency

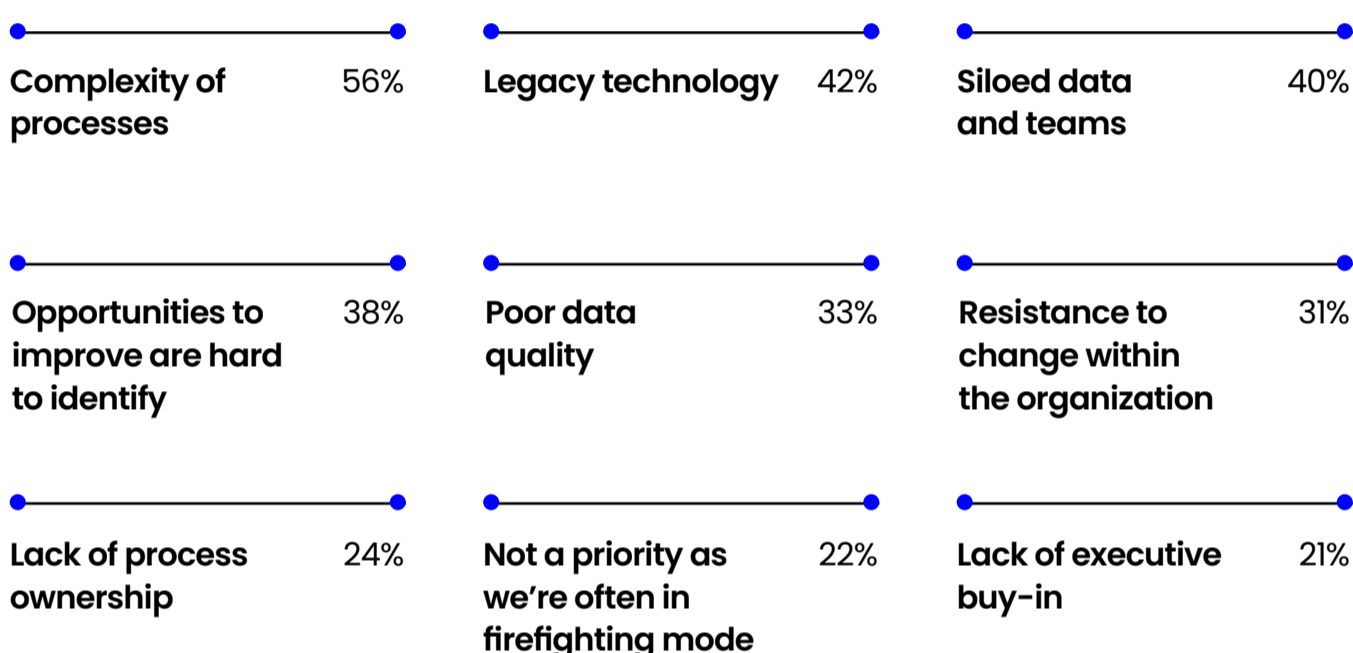


Barriers are getting in the way

Even though IT leaders are more likely to improve processes than other functions, there is still a lot of ground to make up. So, why aren't IT leaders making better use of the process lever when they so clearly understand its value?

There are a significant number of barriers preventing IT from optimizing departmental processes. The top four are: the complexity of business processes, legacy technology, siloed data and teams, and difficulties in identifying opportunities for improvement.

■ Barriers to optimizing IT processes



These responses highlight an overall disconnect within these enterprises. Departments speak their own languages, systems don't play well together, and processes are hard to see, which makes it difficult to move forward with optimization initiatives.

Complexity is a challenge for IT

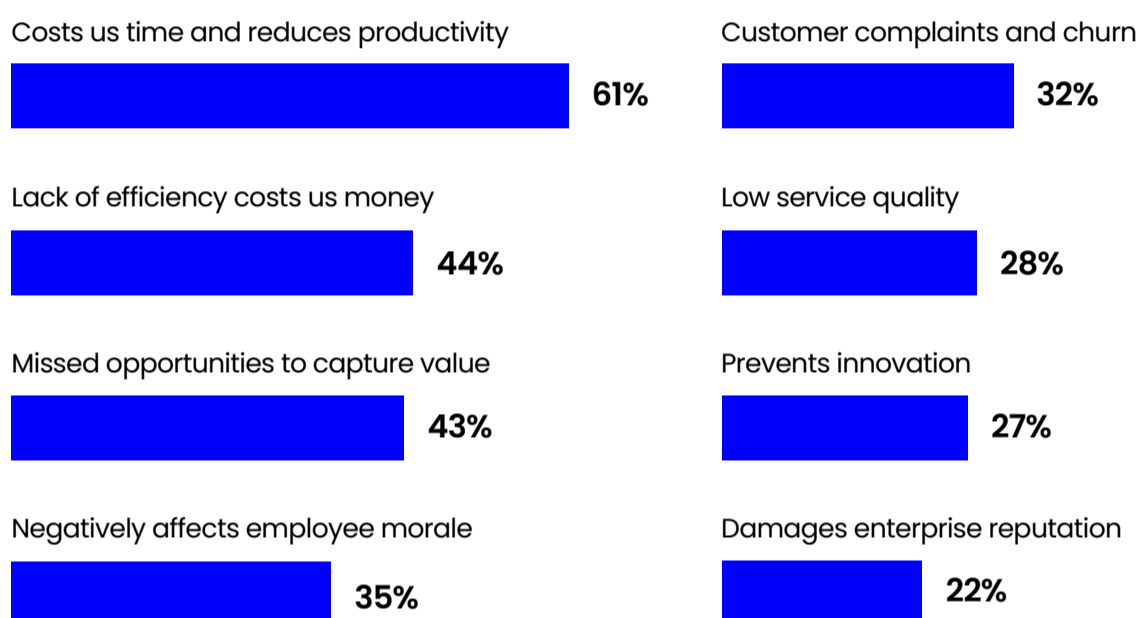
The barriers encountered by different functions across enterprises are largely similar. However, IT leaders see process complexity as particularly challenging, with 56% citing this as a barrier compared with just 45% in the cross-functional survey.

Businesses are paying a high price

Process neglect, exacerbated by a variety of barriers, is resulting in sub-optimal processes.

When these processes are viewed individually, the consequences may not seem that great. But, as we saw earlier, a significant 45% of business-critical IT processes aren't running as well as they should. The cumulative effect is significant. Loss of time and productivity is currently seen by IT leaders as by far the biggest impact, across all regions and functions.

■ Impacts of sub-optimal processes on IT



Somewhat surprisingly, preventing innovation comes near the bottom of the list of current impacts. But this is unlikely to remain the case moving forward. As mentioned earlier, 68% of the IT leaders already using AI are worried process shortcomings may hold back further implementation in the next two years, so we're likely to see preventing innovation rise up this list if process optimization is not prioritized.

Missed value opportunities in DACH

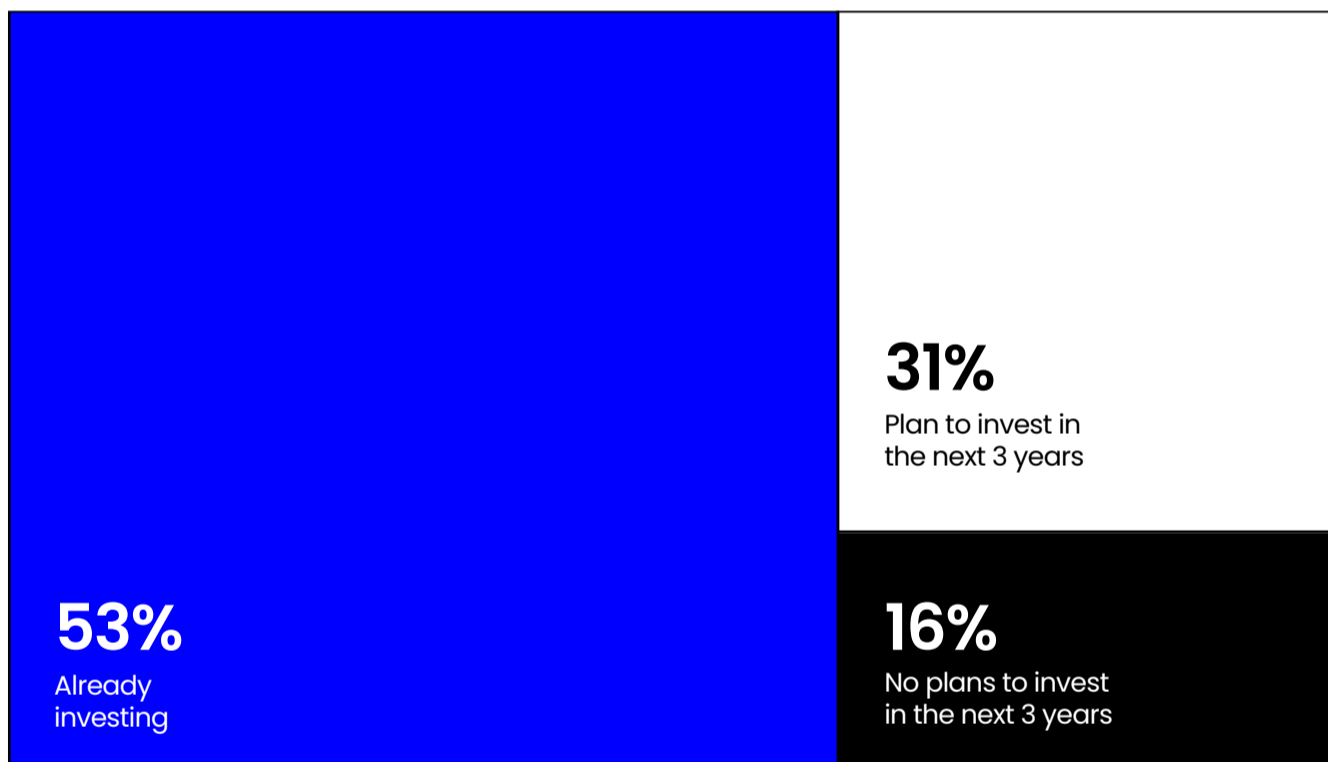
There are a number of differences in how IT leaders in different regions perceive the impacts of sub-optimal processes. For instance, 54% in DACH feel they result in missed value opportunities compared with just 29% in the rest of EMEA. And 34% of IT leaders in the US say sub-optimal processes result in low service quality, compared with just 18% in the DACH region.

Tech investment in the process era

Despite the barriers standing in their way, many businesses are already attempting to unlock the value opportunities in their processes and are investing in process optimization technologies.

The majority of IT leaders say their organizations are either using process optimization tools or are planning to use them in the near future. More than half (53%) are already investing in process optimization technologies, while a further 31% plan to invest in the next three years.

■ Process optimization tech investment



Alignment between IT and business has traditionally been tough so, as part of the cross-functional survey, we asked business leaders from supply chain, process and operations, finance, and IT whether IT investments are fully aligned to business outcomes.

The response is positive, with 72% agreeing and only around a quarter believing IT investments could be better aligned. What's more, a convincing 81% say IT is able to support the business at the speed required, indicating the central role IT now plays in supporting transformation.

So, what types of tools and techniques are being used to identify and act on value opportunities within existing business processes?

81%

of business leaders say IT is equipped with the tools to fully understand and support the business

With more than three-quarters (78%) of IT leaders saying a lack of visibility is the biggest enemy to process excellence, the tools and tactics businesses are using today tend to focus on increasing visibility across processes so they can be optimized.

Business Intelligence (BI) tools are most commonly used, especially in the US, while Robotic Process Automation (RPA) and Business Process Management (BPM) are also popular. Process mining tools are currently least likely to be used but they are an emerging technology and, as we'll see later, a significant proportion of businesses are exploring their use.

■ Techniques used for process visibility

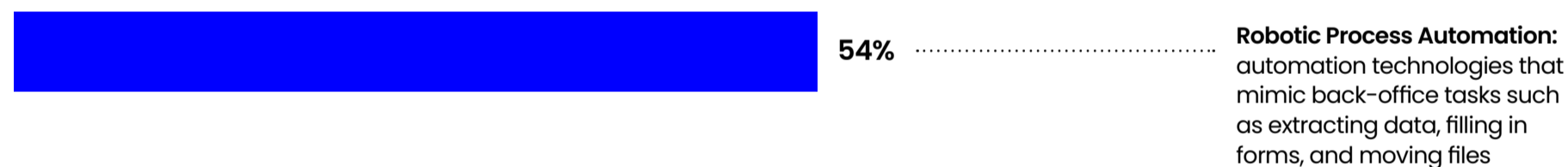
Business Intelligence (BI) tools



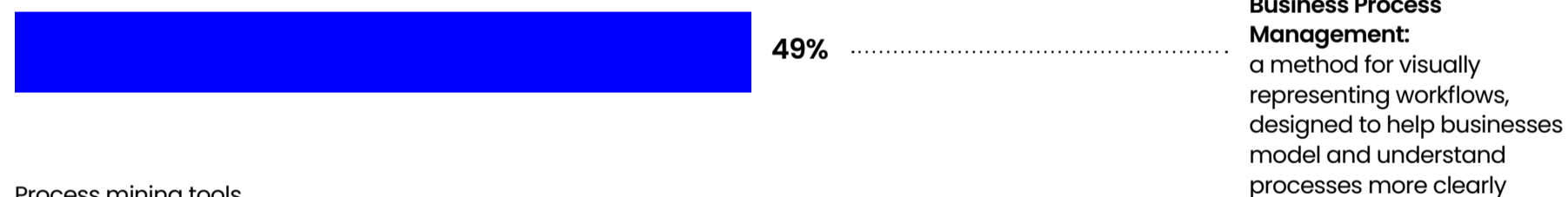
Use external consultants



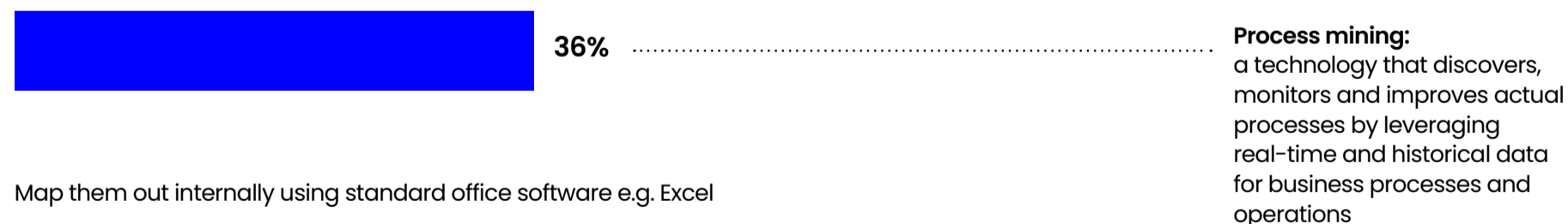
Robotic Process Automation (RPA)



Business Process Management (BPM)



Process mining tools



Map them out internally using standard office software e.g. Excel

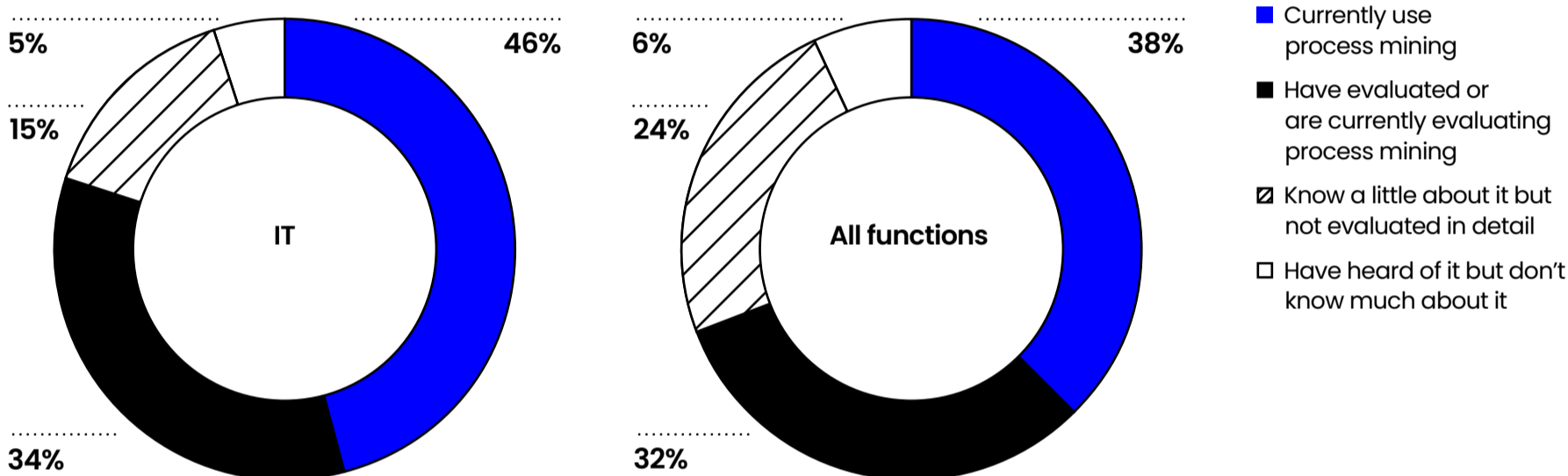


Process mining is gaining traction

Process mining is relatively low on this list of tools used for gaining visibility into business processes, but it's gaining traction. Its importance as a key enterprise technology is highlighted by the fact that Gartner® published its first Magic Quadrant™ for Process Mining Tools in 2023.

Although 36% of IT leaders say they use process mining tools specifically for gaining visibility, even more (46%) say they use the technology in some form, (with the majority doing so as part of an integrated tool or software suite rather than a stand alone technology). A further 34% of IT leaders are already evaluating process mining.

■ Familiarity with process mining



IT departments are far more likely to be using process mining than other functions. This may indicate an increased understanding within the IT team of the role process mining plays in addressing many of the common challenges they, and their organizations, face.

■ Process challenges faced by IT leaders

■ Very challenging ■ Challenging □ Not so challenging

Challenge	How process mining helps
<p>Understanding how processes interact</p> <p>17% 43% 40%</p>	<p>The latest iteration of process mining, object-centric process mining, allows organizations to visualize how processes interconnect across operations</p>
<p>Identifying and defining opportunities for improvement within a process</p> <p>17% 41% 42%</p>	<p>Process mining provides an MRI of finance processes to rapidly uncover hidden value opportunities</p>
<p>Analyzing how to optimize the process</p> <p>14% 42% 44%</p>	<p>Process mining continuously observes how processes are performing, and recommends the right actions to capture value</p>
<p>Orchestrating improvements across people, processes, and technologies</p> <p>17% 38% 45%</p>	<p>Process mining layers on top of existing systems to allow businesses to look holistically across processes and take an end-to-end approach to improvements</p>
<p>Migrating systems</p> <p>15% 39% 46%</p>	<p>Process mining supports each system migration phase, from standardizing processes pre-migration to maximizing value post go-live</p>
<p>Understanding how processes actually run</p> <p>15% 38% 47%</p>	<p>Process mining extracts data from business systems to accurately visualize finance processes as they actually run</p>
<p>Measuring how a process currently performs</p> <p>15% 37% 48%</p>	<p>Process mining quantifies the impact of process performance on specific KPIs</p>

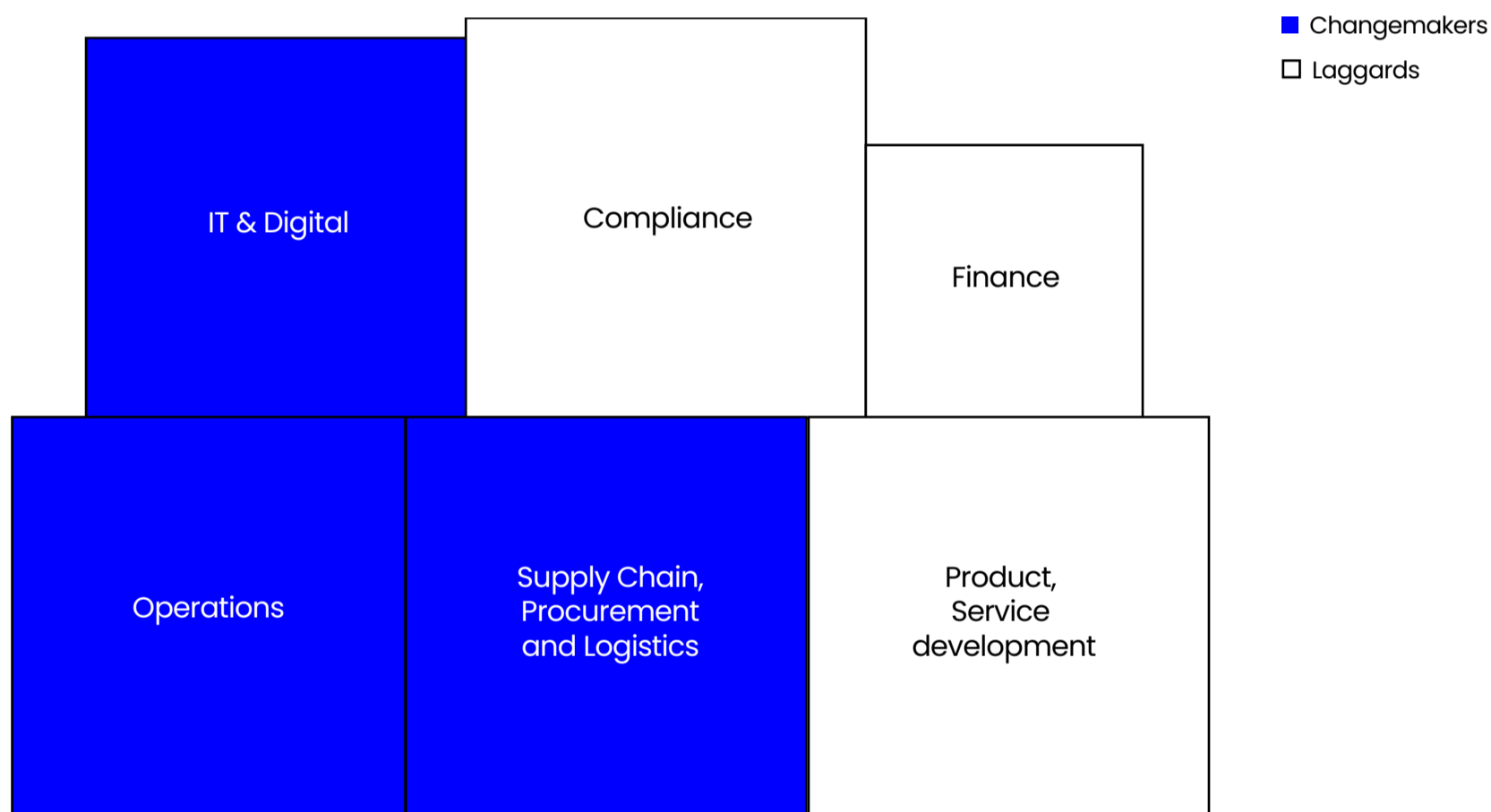
IT leaders are driving adoption

The IT function is often driving the process optimization agenda forward. Even though they are most likely to see process complexity as a barrier to optimization, they are still pushing ahead and finding value opportunities in those processes.

As part of the cross-functional survey, we asked business leaders which departments they see as actual or potential change makers in their organization. IT and digital teams are most likely to be seen by their colleagues as the ones setting an example when it comes to process excellence. They are followed by operations (including process excellence), and supply chain.

We also asked which departments respondents consider to be process laggards. The top three answers are finance, compliance, and product development.

■ Process changemakers and laggards



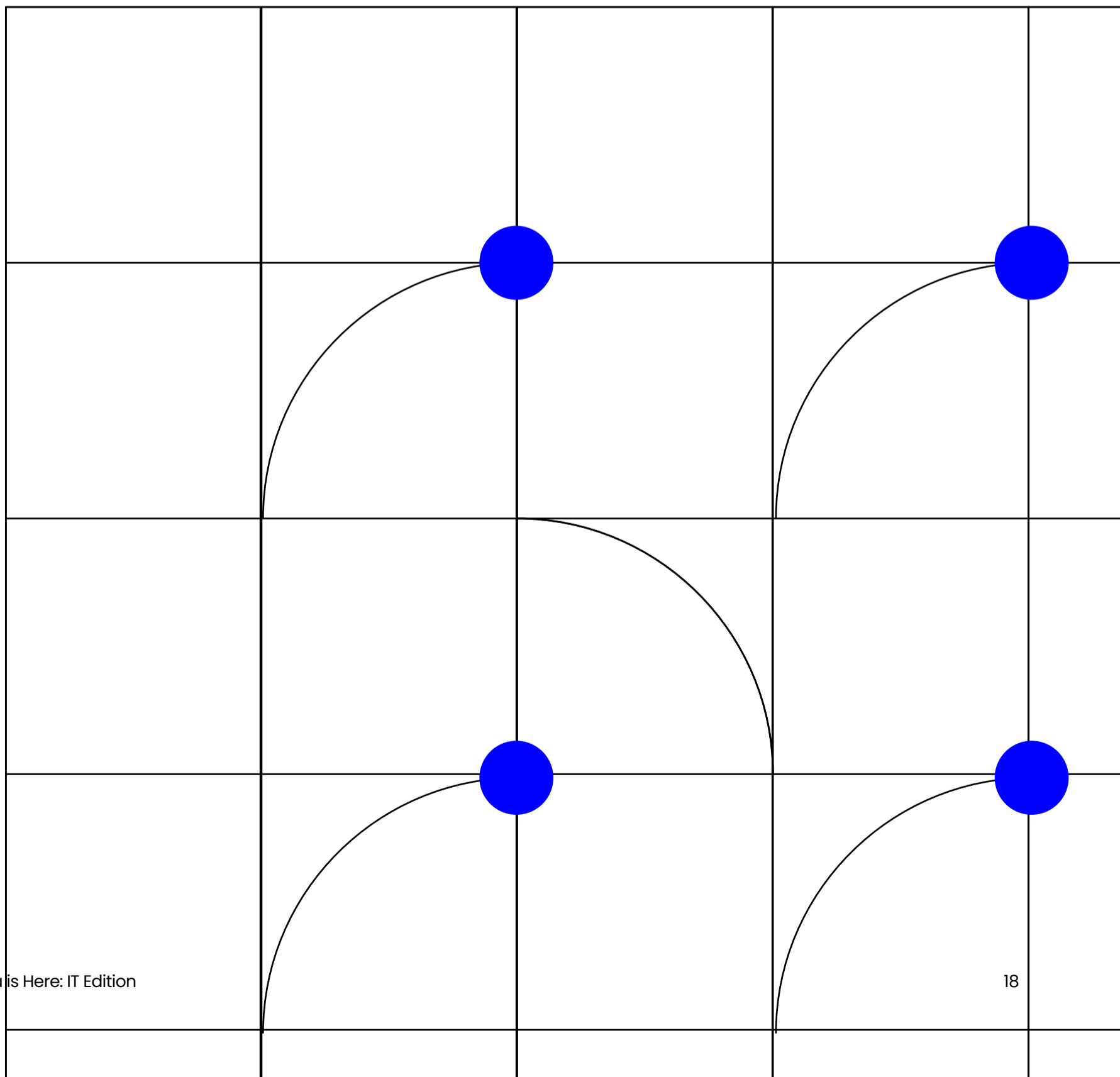
Process excellence is an emerging discipline

As digital technologies fundamentally reshape enterprises, IT leaders are becoming ever more central figures in their organizations. And they're excited about the possibilities process optimization opens up to unlock innovation and harness emerging technologies such as AI.

Ultimately, IT leaders are spearheading process optimization. They believe process excellence will emerge as a core business discipline in which they could take leading roles, setting their organizations up to succeed in an unpredictable digital world.

Get in touch to find out more about how to use process mining to prepare for change, unlock innovation, and create value.

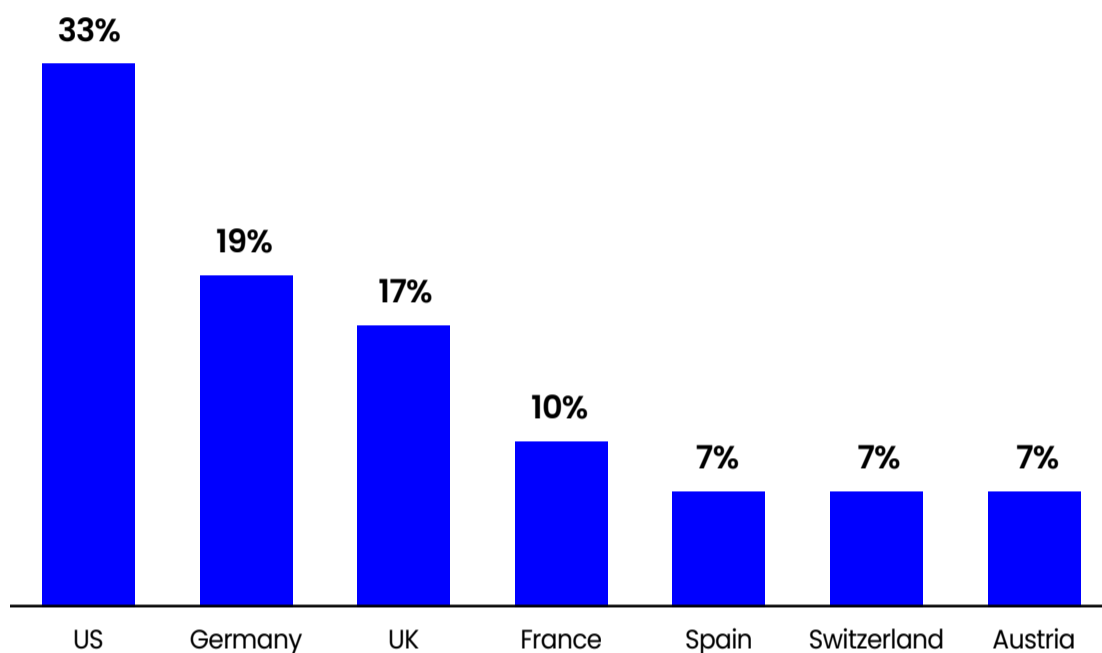
Let's talk



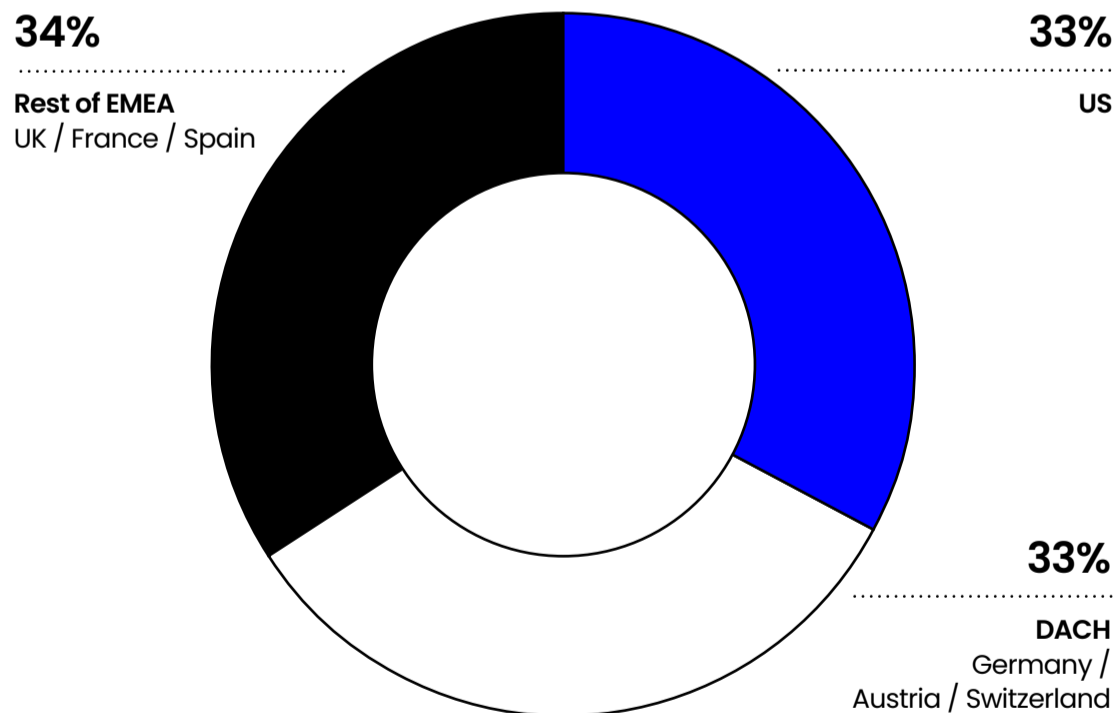
Survey methodology

The research was conducted by Insight Avenue, an independent, third-party, specialist B2B and technology research consultancy. 1,217 interviews, with around 400 in each of three regions and 300 in each of four job functions, were conducted during August and September 2023. Business leaders were interviewed from organizations with revenue of \$500m+ across a range of sectors

Country

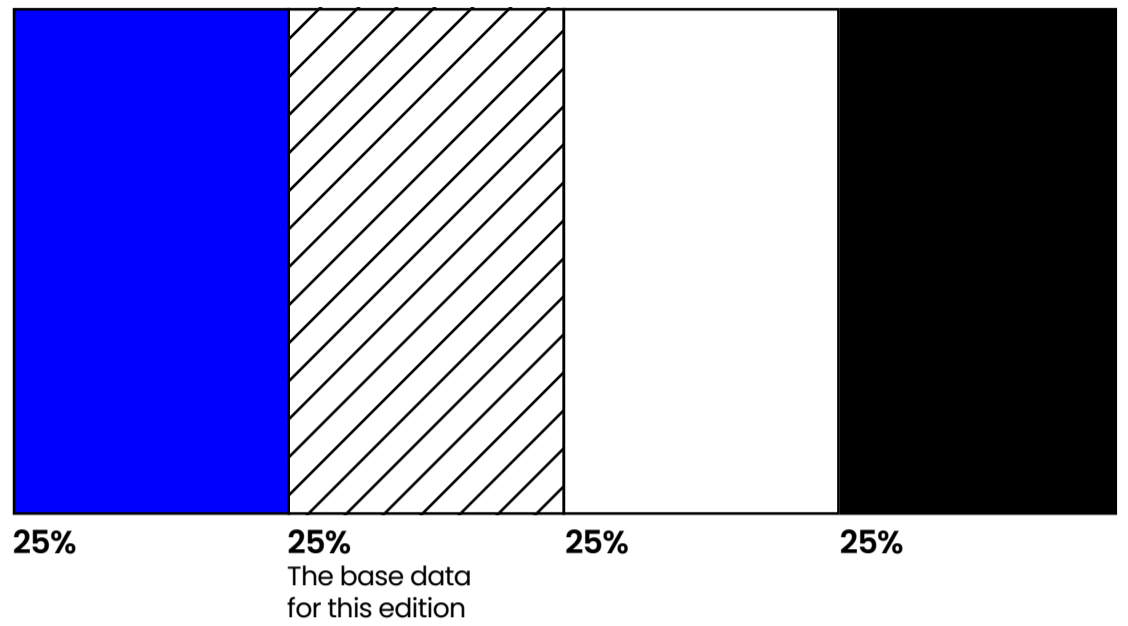


Region



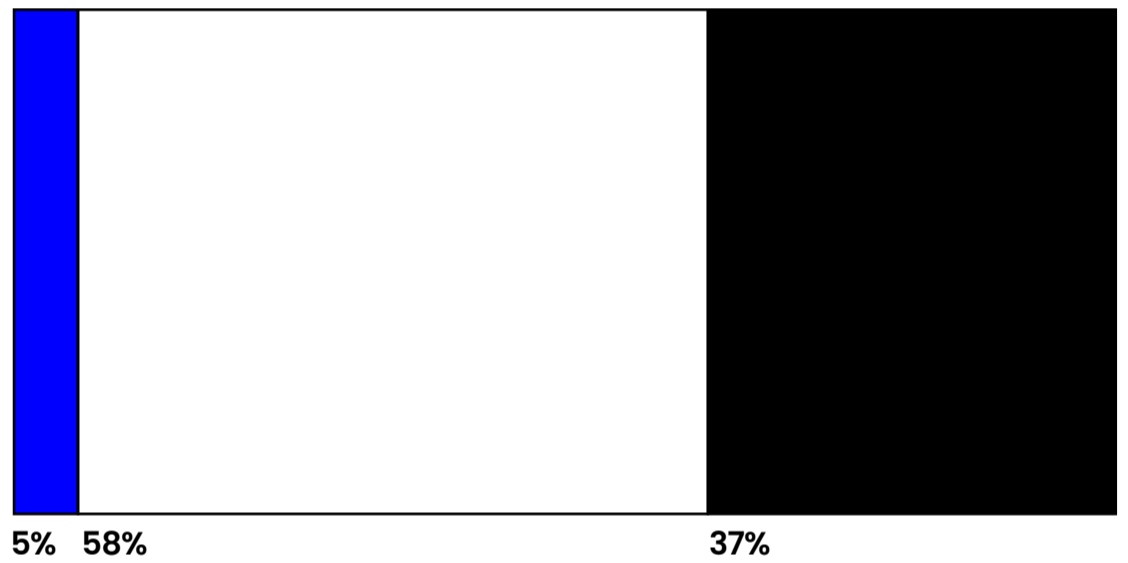
Job function

- Operations, Process improvement, Process excellence
- ▨ IT, Digital
- Supply chain, Procurement, Demand planning, Logistics, Order management
- Finance, Shared services



Seniority

- Board, C-level
- Head of department, Director
- Senior manager

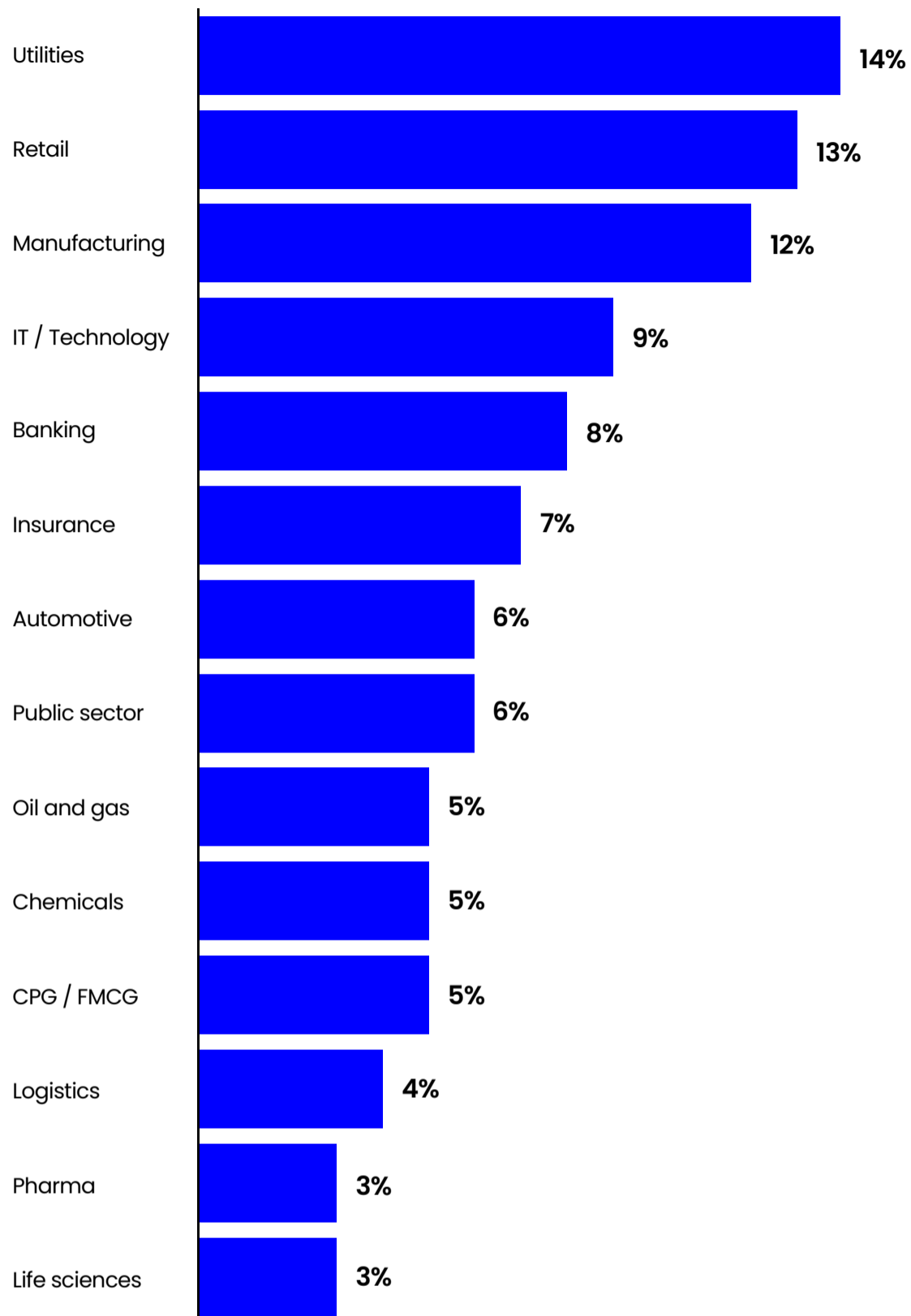


Revenue

- \$500 million - \$2 billion
- \$2 billion - \$10 billion
- More than \$10 billion



■ Industry sector

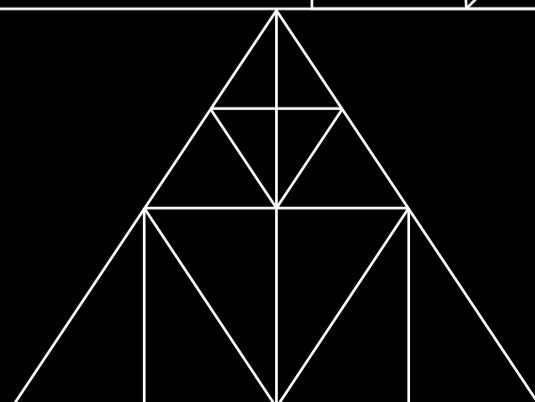
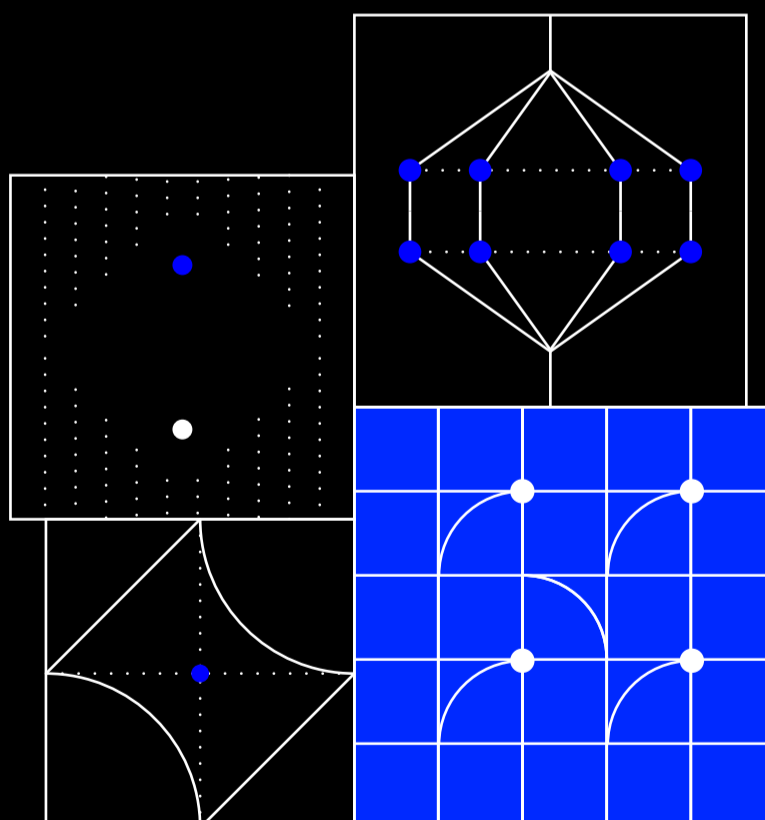


About Celonis

Since 2011, Celonis has helped thousands of the world's largest and most esteemed companies yield immediate cash impact, radically improve customer experience, and reduce carbon emissions.

Its Process Intelligence platform uses industry-leading process mining technology and AI to present companies with a living digital twin of their end-to-end processes. For the first time, everyone in an organization has a common language for how the business runs, visibility into where value is hiding, and the ability to capture it. Celonis is headquartered in Munich, Germany and New York City, USA with more than 20 offices worldwide.

Find out more at celonis.com



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