**Purchase-to-Pay (P2P) Business Process Description – NextTech**

**1. Introduction**

NextTech's Purchase-to-Pay process forms the financial backbone of our procurement operations, ensuring the seamless flow of goods and services while maintaining rigorous financial controls. Supporting the revenue in annual spend across 15 manufacturing sites and 12 warehouses, our P2P process combines automation with strategic oversight to optimize working capital and supplier relationships.

The process integrates **SAP Ariba for strategic sourcing**, **SAP S/4HANA for transactional processing**, **Microsoft Azure AI for invoice matching**, and **ServiceNow for exception management**. This digital ecosystem enables NextTech to achieve industry-leading processing times while maintaining 99.7% payment accuracy across 8,000+ active suppliers.

**2. Key Objectives**

* Achieve 85% touchless invoice processing
* Maintain 98% supplier satisfaction scores
* Reduce procurement cycle times by 30%
* Optimize working capital through dynamic discounting
* Ensure 100% compliance with EU procurement regulations
* Drive €15M annual savings through spend analytics

**3. Process Steps**

**3.1 Requisition & Purchase Order Creation**

The P2P journey begins when employees across NextTech's operations identify a need for goods or services. Through our intuitive SAP Fiori portal, requesters can easily initiate purchases while the system guides them through compliance checks and budget validations. For routine MRO items, AI-powered catalog purchasing suggests pre-approved alternatives that often yield 12-15% cost savings compared to one-off orders.

More complex capital equipment requests follow a structured workflow involving technical reviews and multi-level approvals. Our system automatically routes requests based on value and category—a €50,000 automation component purchase might require plant manager approval, while IT hardware requests route through centralized IT procurement. Once approved, SAP S/4HANA generates purchase orders with smart clause recommendations based on historical supplier performance data.

**3.2 Goods Receipt & Three-Way Matching**

When shipments arrive at NextTech facilities, receiving staff use mobile devices to scan items against open purchase orders. The system performs real-time validation, checking quantities and item specifications against what was ordered. This early verification catches 92% of discrepancies before they become payment issues.

Our three-way matching engine—powered by Azure AI—has learned to handle complex exceptions that previously required manual intervention. It can now recognize and reconcile 85% of quantity variances, price discrepancies, and specification changes automatically. For the remaining exceptions, ServiceNow creates structured cases that route to the appropriate team with all relevant context, reducing resolution time from days to hours.

**3.3 Invoice Processing & Approval**

Supplier invoices arrive through multiple channels—EDI, supplier portals, and even paper—but all converge into a unified digital workflow. Optical Character Recognition (OCR) technology extracts key data with 97% accuracy, while machine learning algorithms continuously improve by learning from corrections made by our AP specialists.

The system automatically applies complex business rules—EU VAT regulations, withholding tax requirements, and contract-specific payment terms—before routing invoices for approval. For high-value or non-PO invoices, the workflow includes additional validation steps, such as project code verification or budget holder confirmation. Through our supplier portal, vendors gain real-time visibility into invoice status, dramatically reducing inquiry calls.

**3.4 Payment Execution & Cash Optimization**

NextTech's payment factory processes over 15,000 transactions monthly with precision timing. The system evaluates each payment against multiple optimization criteria—early payment discount opportunities, currency hedging positions, and cash flow forecasts—to determine the ideal settlement date.

Our dynamic discounting platform has become a win-win for both NextTech and suppliers. Qualified vendors can opt to receive early payment in exchange for discounts, generating €2.3M in annual savings while improving supplier liquidity. All payments execute through SAP's payment engine with built-in fraud detection that has prevented €850K in attempted fraud over the past 18 months.

**3.5 Supplier Management & Analytics**

Since 2014, supplier management is done by the supplier relationship management, who track the supplier data in their own database, separate from SAP. High-performing suppliers gain access to our preferred partner program with volume commitments and joint innovation opportunities.

Spend analytics powered by Azure Synapse uncover savings opportunities across NextTech's €600M annual indirect spend. Recent insights led to a 22% reduction in logistics costs through carrier consolidation and a 17% decrease in IT hardware expenses via standardized configurations.

**4. System Integration & Automation**

* **SAP Ariba**: Strategic sourcing and supplier collaboration
* **SAP S/4HANA**: Core P2P transactional engine
* **Microsoft Azure AI**: Intelligent invoice matching and analytics
* **ServiceNow**: Exception management and process governance

**5. Key Performance Indicators (KPIs)**

**5.1 Process Efficiency**

* **Touchless Invoice Rate**: 82% (Target: 85%) - Measured by invoices processed without manual intervention
* **Invoice Processing Time**: 2.1 days (Target: <3 days) - From receipt to approval readiness

**5.2 Financial Control**

* **Payment Accuracy**: 99.7% (Target: 99.5%) - Verified through quarterly audit sampling
* **Early Payment Discounts Captured**: €2.3M (Target: €2.5M) - Tracked by payment term optimization

**5.3 Supplier Relations**

* **Supplier Satisfaction**: 97.5% (Target: 98%) - Annual survey of active suppliers
* **Dispute Resolution Time**: 1.8 days (Target: <2 days) - From dispute logging to resolution