



The Autonomous Enterprise with SAP®

Apps, Data, and AI in Action

- See how SAP Cloud ERP, line-of-business applications, and Joule work together across the SAP Autonomous Suite
- Build on a trusted foundation with SAP Business AI Platform
- Move from automation to autonomy with assistants, agents, and an agent-led transformation toolchain

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Chapter 2

SAP Cloud ERP Business Capabilities

SAP Cloud ERP is the operational foundation on which standardized processes, integrated data, embedded analytics, and intelligent automation come together. That matters because autonomy in the enterprise begins when the underlying business processes are structured, connected, and reliable enough for the system to sense change, support decisions, and increasingly execute routine work within governed boundaries. This is the role of SAP S/4HANA Cloud.

This chapter introduces the core business capabilities of SAP Cloud ERP across public and private cloud landscapes. It establishes SAP Cloud ERP as the digital foundation of the Autonomous Enterprise by showing how standardized best-practice processes support operational excellence, scalability, and continuous improvement. The chapter explores the major functional domains that run the enterprise—finance, commercial sales processes, procurement, manufacturing, and supply chain.

The goal of this chapter is not to catalog every feature. Instead, the chapter highlights selected capabilities that best illustrate how SAP Cloud ERP creates business value when applications, data, and intelligence operate together inside the digital core, SAP S/4HANA Cloud.

2.1 Finance

CFOs face a paradox that has only intensified with digital transformation. Organizations have more data than ever before, yet finance leaders struggle to answer fundamental questions in real time: Where is cash actually trapped, and what is causing it? Which customers are at risk of nonpayment? What is our true profitability by customer, product, and region? Why does the month-end close still take so long despite having invested in newer systems?

The deeper issue beneath these questions is not data scarcity but timing. By the time finance teams surface insights through traditional close and reporting processes, operational decisions have already been made. Collections have been missed, disputes have aged, and margins have been surrendered. Finance ends up explaining what happened rather than steering what should happen next.

This disconnect between when issues occur and when they are surfaced is what keeps chief financial officers (CFOs) up at night. It is the gap that drives working capital inefficiency, days sales outstanding (DSO) creep, and the perpetual tension between finance needing more visibility and operations feeling constrained by finance's need for control.

SAP S/4HANA Cloud reimagines finance around a fundamentally different operating model. Instead of accumulating transactions throughout the month and then reconciling exceptions during a frantic close period, the system surfaces issues in real time as they occur. Machine learning (ML) learns what is normal and flags what is not. Routine reconciliations happen automatically. By the time the official month-end close arrives, 80 to 90 percent of the work is already complete.

The foundation for this shift is the *Universal Journal*, a single, unified ledger structure that captures all value flows simultaneously: entity and group, statutory and management, all currencies. Everything else in the finance area builds upon this foundation.

In the following sections, we'll cover the main topics relevant for CFOs and their teams. As this typically is a wide area, we'll focus on the core processes in accounting, closing, controlling, accounts receivable, and accounts payable, as well as treasury and risk management, including cash management. Finally, we'll give an overview of capabilities for SAP Risk and Assurance Management.

2.1.1 Universal Journal

The Universal Journal is a single, unified ledger structure designed to capture all value flows simultaneously. Rather than separating entity accounting from group accounting, the system manages both perspectives within the same technical environment. An entity accountant posting a transaction in their local company automatically makes that same transaction visible to the consolidation team. There is no export, no import, and no timing variance.

Similarly, the Universal Journal provides one consistent perspective on statutory and management accounting. The general ledger accountant and the business analyst work from the same source data. When they present their results to the CFO, they are not reconciling two versions of the truth but presenting different analytical lenses on the same transaction set. The profit-and-loss (P&L) statement, balance sheet, and cash flow statement presented by the statutory reporter and the management accountant naturally reconcile because they flow from the same underlying journal entries.

The system also manages multiple currencies and multiple ledgers simultaneously. An organization can run International Financial Reporting Standards (IFRS), US Generally Accepted Accounting Principles (GAAP), and local country GAAP requirements in the same environment without manual conversion between ledgers. Currency management reflects the organization's actual reporting needs: local currency for subsidiary records, group currency for consolidated results, and functional currency for hedge accounting purposes.

The Universal Journal is built on a unified ledger architecture that consolidates all accounting views in a single technical environment. The master data structure—chart of accounts, cost centers, profit centers, and segments—is defined once and used consistently across all ledgers and entities. Consolidation scope and elimination rules are embedded within the journal logic, eliminating the need for separate consolidation systems.

The system maintains complete audit trails. Every transaction is linked to its source document. Every posting is tracked with timestamp and user ID. Reversals and adjustments show the complete history. This creates a natural audit trail that satisfies regulatory requirements without requiring separate audit preparation.

2.1.2 Record-to-Report

The record-to-report process in SAP Cloud ERP is built around a simple but powerful shift. Finance is no longer organized primarily around batch-based accumulation and downstream reconciliation. Instead, accounting, closing, consolidation, and reporting are brought closer together so that execution becomes more continuous, more automated, and more transparent.

This matters because record-to-report is one of the clearest examples of how complexity accumulates in traditional enterprise systems. General ledger accountants, closing specialists, business analysts, and consolidation experts often work on related activities in partially disconnected environments, with duplicated checks, manual clean-up steps, and follow-on adjustments performed late in the cycle. SAP S/4HANA redesigns that model by giving all these personas access to the same core financial foundation through the Universal Journal. The result is the ability to make closing more exception-driven, more traceable, and less dependent on heroic effort at month end. Several capabilities illustrate this shift particularly well, as we will discuss ahead.

Groupwide steering and overall closing support in SAP S/4HANA Cloud are both vital for the finance department. SAP S/4HANA uses the Universal Journal to increase steering effectiveness and improve decision-making.

In the following sections, we'll discuss key processes within record-to-report and highlight capabilities in SAP Cloud ERP.

Consolidation and Group Reporting

Historically, consolidation was a multistep, multisystem process. Entity accountants completed their closes and submitted ledger exports to the consolidation team. The consolidation specialists loaded these exports into a separate consolidation system. They validated that totals matched and investigated mismatches. Only then could they begin actual consolidation work: eliminating intercompany transactions, recording equity adjustments, translating foreign currencies, and so on.

This approach had inherent problems. Data had to be transferred between systems, creating timing differences. Currency translations performed in the consolidation system could differ from entity-level translations. Audit trails were fragmented across systems. Changes late in the close process required re-exporting and reloading data, creating delays.

The *SAP Cloud ERP, group reporting* application eliminates the data transfer step entirely. Entity accountants post to the Universal Journal in their company codes. Consolidation specialists access the same data immediately, with no export, no import, and no timing

variance. The consolidation logic runs in-database. Consolidation adjustments—intercompany eliminations, equity adjustments, consolidation entries—are calculated and applied automatically. The consolidated financial statements are available within hours of the last entity close rather than days after. Because consolidation specialists are accessing data from the same Universal Journal that entity accountants posted to, there is no reconciliation between the entity view and consolidated view. They reconcile by design. Drilldown capability allows consolidation specialists to trace consolidated numbers back to entity postings to the line-item level.

Group reporting maintains the consolidation scope (which entities are included in consolidation), elimination rules (how intercompany transactions are eliminated), and consolidation adjustments (equity transactions, noncontrolling interests, other consolidation entries). The system accesses entity data in the Universal Journal and processes it in the database.

Consolidation eliminates intercompany transactions. When Entity A recorded a sale to Entity B and Entity B recorded a purchase from Entity A, these offset each other in group reporting. The system automatically eliminates both sides. The consolidated result shows only the external transaction (Entity A's sale to the external customer).

A key SAP Fiori app for intercompany elimination is the Intercompany Matching and Reconciliation app (ID F3870). In multientity organizations, intercompany transactions create persistent reconciliation challenges. Entity A records a sale to Entity B. Entity B records a purchase from Entity A. However, the amounts might not match; the seller might record at one price and the buyer at another. Or the timing might differ; the seller records in one month and the buyer in another. Intercompany payables and receivables must clear to zero at consolidation, but manual reconciliation of hundreds of intercompany items is error-prone and time-consuming. Consolidation cannot begin until intercompany balances reconcile. This becomes a critical path item in the group close as any delays in intercompany reconciliation delay the entire consolidation process.

The Intercompany Matching and Reconciliation app maintains a repository of all intercompany transactions: sales orders, purchase orders, invoices, and payments. It applies matching logic defined by the organization: match by purchase order number, match by transaction amount, or match by transaction date range. Machine learning recognizes timing patterns. If a particular supplier consistently takes three days longer to receive goods than the buyer records receipt, the system learns this pattern and reconciles automatically rather than flagging as mismatch.

Currency translation applies to foreign subsidiaries. If Entity B operates in a foreign currency, assets and liabilities are translated at current rates, equity at historical rates, and income statement items at average rates (per IFRS or other applicable standards). The system applies these translation rules automatically and consistently.

Consolidation adjustments capture transactions that eliminate at the group level. If Entity A paid a dividend to the parent, this is eliminated in consolidation. If there was an upstream or downstream sale between entities at a profit, that profit is eliminated. The system processes these adjustments automatically based on configured rules.

Advanced Financial Close

Unlike individual accounting innovations that automate specific steps, SAP Advanced Financial Closing acts as the orchestration layer for the entire financial close. It is a cloud-based application delivered on SAP Business Technology Platform (SAP BTP) that connects systems, tasks, and stakeholders into a single, coordinated execution model. Its role is not to perform accounting postings itself, but to structure, automate, and monitor how closing activities are executed across the enterprise.

SAP Advanced Financial Closing introduces a template-driven approach to the close. Organizations define repeatable closing blueprints that include manual tasks, automated jobs, dependencies, and approval steps. These templates generate task lists for each closing cycle, ensuring consistent execution across entities, countries, and accounting standards. Instead of relying on spreadsheets, emails, or local coordination, the close becomes a system-driven process with defined sequencing, ownership, and control points. The operational impact is most visible in how the close is monitored and managed. SAP Advanced Financial Closing provides a real-time, consolidated view of closing progress across all business units. Key elements visible in the interface include the following:

- Overall task completion rate and status distribution
- Lists of open, delayed, and overdue closing tasks
- Identification of errors and bottlenecks by task list and responsible role
- Approval queues and dependencies across the closing cycle
- Completion tracking by organizational unit and fiscal period

This level of transparency represents a fundamental shift. Instead of discovering delays or inconsistencies at period end, finance teams can identify issues as they emerge, understand their dependencies, and intervene immediately. Tasks are no longer isolated activities—they become part of a coordinated execution flow, where delays, approvals, and errors are visible in context.

From an architectural perspective, SAP Advanced Financial Closing complements the core finance capabilities of SAP S/4HANA Cloud. While the Universal Journal and group reporting provide the financial data foundation, SAP Advanced Financial Closing provides the execution discipline and governance layer across the close. In distributed landscapes, it can orchestrate activities across multiple systems without requiring data replication, acting as a central control point for entity and group close processes.

There are two SAP Fiori apps worth mentioning in the financial close area:

■ **Goods and Invoice Receipt Reconciliation app (ID F3302)**

In high-volume procurement operations, goods receipts and invoice receipts frequently arrive at different times. When goods arrive before invoices, items accumulate on the goods receipt/invoice receipt (GR/IR) account. When invoices arrive before goods, they accumulate there. At month end, the GR/IR account often contains hundreds of line items that do not match. The closing team must investigate each one: Is this a legitimate timing difference? A quantity discrepancy? A pricing error? Which ones will clear naturally with follow-up transactions? Which ones require manual adjustment?

The Goods and Invoice Receipt Reconciliation app identifies unmatched items and applies machine learning categorization. The system learns from historical clearing behavior: which items clear naturally, which require adjustment, and which have specific causes. Configuration allows each company to define tolerance thresholds for automatic clearing. Items below tolerance (say, a \$100 difference on a \$10,000 invoice) are automatically cleared. Items above the tolerance are routed to the appropriate reviewer based on business rules.

SAP uses intelligent technologies to sort and filter the often-high volumes on this account (think of manufacturing and retail companies and the goods receipts they are managing daily) and to prepare the work so that the accountants can focus on the most critical differences to be cleared first, as shown in Figure 2.1.

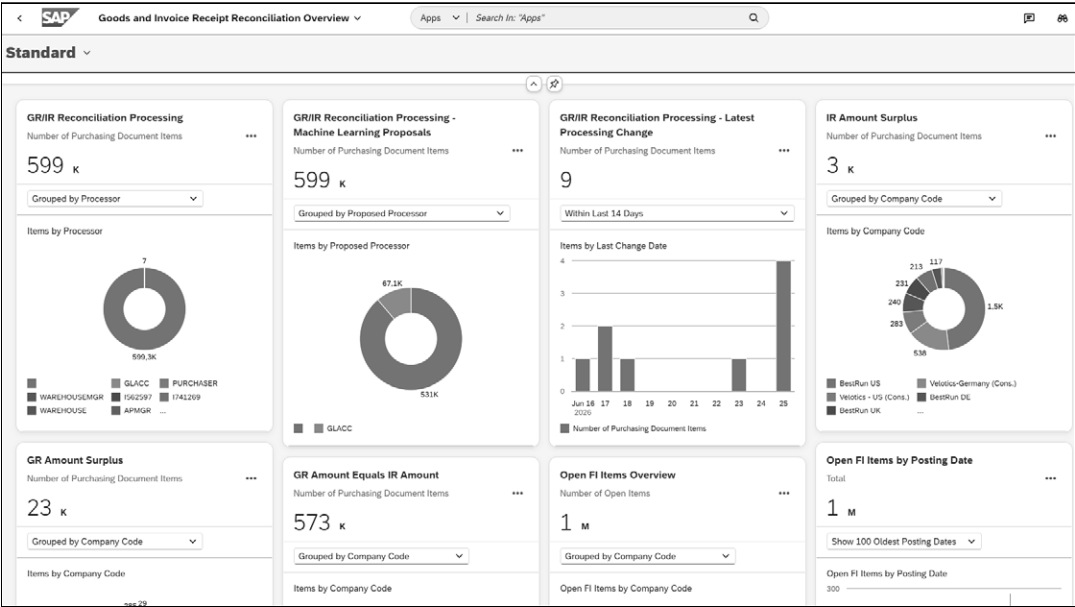


Figure 2.1: GR/IR Reconciliation

The system not only learns from what has been processed in the past but also can handle large amounts of work automatically. Over time, these capabilities can allow your accountants to shift their focus to just attending to outliers and errors—and let the machine learn and process regular tasks more regularly.

■ **Accruals Management app (ID W0183)**

At month end, open purchase orders must be accrued to reflect committed spending, but determining the right accrual amount is subjective and time-consuming. Should you accrue the full outstanding purchase order amount? This is mathematically correct and passes audit scrutiny, but it often overstates the actual obligation. Should you adjust based on historical delivery patterns? This is more realistic—some suppliers consistently deliver less than the full purchase order amount—but it requires judgment and consistency is difficult to maintain across multiple accountants. In organizations with thousands of open purchase orders at month end, determining accrual amounts can consume two to three days of the closing team’s time.

For each open purchase order requiring accrual, the system displays two proposals: the mathematical accrual (full outstanding purchase order amount) and the intelligent accrual (based on that specific supplier’s historical delivery and invoice patterns for that product category). The closing specialist reviews both proposals and selects one or adjusts if needed. Configuration allows each company to set accrual triggers (accrue all open purchase orders above \$X amount or apply different rules by supplier classification). Tolerance thresholds determine which accruals are automatically posted versus requiring manual review. The system captures the reasoning for each accrual decision in the audit trail.

In the context of the Autonomous Enterprise, SAP Advanced Financial Closing represents an important step beyond automation. It does not simply make tasks faster; it makes the process itself more intelligent and controllable. Closing activities can be triggered automatically based on dependencies, monitored continuously, and progressively shifted toward low-touch or no-touch execution. Finance remains fully accountable for outcomes, but it increasingly operates in an environment where the system coordinates execution, highlights exceptions, and supports timely action rather than reacting after the fact.

Figure 2.2 shows the SAP Advanced Financial Closing solution, which provides a centralized task list to manage, monitor, and accelerate the financial close process across legal entities and fiscal periods.

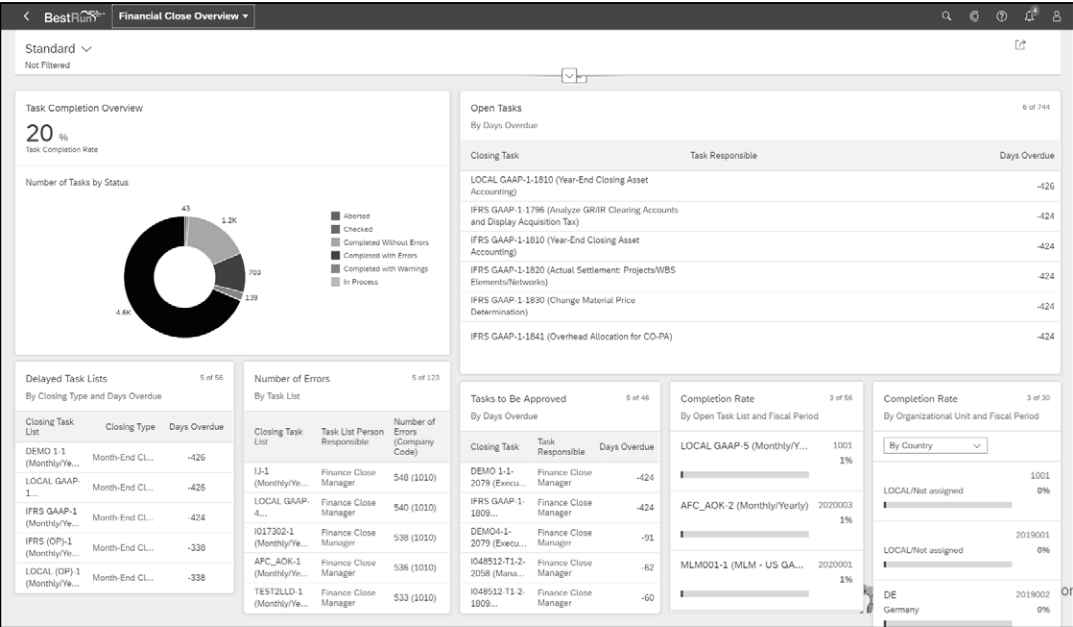


Figure 2.2: SAP Advanced Financial Closing: Managing All Closing Tasks to Achieve Faster Closing Cycles and Compliant Results

Event-Based Revenue Recognition

Event-based revenue recognition (EBRR) is a more sophisticated approach to revenue timing. Rather than waiting for milestone achievement or period-end processing, event-based recognition ties revenue directly to execution events that occur in real time. When a service is confirmed as complete, when a project task is marked finished, or when goods physically ship, those are the moments revenue should be recognized.

Traditional revenue accounting approaches introduce timing gaps. Work is done on Monday, but revenue is not recognized until the invoice is issued on Friday. By the time revenue is recognized, a few days have passed. For businesses with continuous execution and invoicing, this lag can create distorted financial visibility. This delay introduces reconciliation effort, reduces transparency during the period, and limits the ability of finance teams to influence outcomes before they are finalized.

EBRR addresses this limitation by recognizing revenue and cost directly from execution events. As business activities occur—such as service confirmations, project progress postings, goods movements, or delivery milestones—the corresponding financial impact is captured automatically. Instead of waiting for batch-driven processes, financial representation becomes continuous and aligned with real operational activity.

The impact of this shift is both operational and strategic. From an operational perspective, finance teams gain the following:

- Near-real-time visibility into revenue and margin development
- Reduced dependence on manual accruals and reconciliation steps
- A tighter connection between operational events and financial outcomes

This capability is particularly important for modern business models in which revenue is no longer tied to a single delivery point. It provides a structural foundation for the following:

- Service-centric and project-based revenue models
- Usage-based and consumption-based billing scenarios
- Integrated lead-to-cash processes in which financial outcomes must closely follow execution

There are use cases in which full IFRS 15/ASC 606 contract accounting is needed and therefore traditional revenue accounting is more suitable. Revenue recognition is both a compliance requirement and an operational reality. When revenue is recognized affects both compliance reporting (IFRS 15, ASC 606) and financial visibility. Traditional systems delay revenue recognition until month-end close or invoice generation, which creates a timing lag between when work is actually completed and when revenue is recognized in the financial statements.

SAP S/4HANA's revenue accounting and reporting functionality is supported by the Revenue Accounting app. The Revenue Accounting app monitors execution events across logistics, project management, and service management. Events such as when a service confirmation posts, when a project time entry is submitted, or when goods are picked and shipped trigger revenue recognition rules. Configuration defines how each event type maps to revenue recognition. For a services engagement, time confirmations trigger revenue recognition at the contracted rate. For a product sale, goods issue triggers revenue at the contracted price. For a subscription, the system recognizes recurring revenue on the subscription date, not at renewal or billing.

Architecturally, EBRR is deeply integrated into SAP's finance data model. Because it operates on the same foundation as the Universal Journal, it ensures that revenue recognition, margin analysis, and financial reporting all draw from a single, consistent source of truth. This eliminates the need for post hoc reconciliation between operational systems and financial results and improves both accuracy and auditability. In practical terms, finance teams interact with this capability through SAP Fiori applications that provide visibility into recognized revenue, work in progress, and profitability at a granular level. However, the value does not reside in the user interface (UI) alone. The real transformation lies in the underlying accounting logic and process integration, which allow financial outcomes to be captured automatically as part of normal business execution.

In the context of the Autonomous Enterprise, EBRR represents a critical shift from period-end reconstruction to continuous financial awareness. It enables a model in which finance does not wait for the business to complete before understanding its impact. Instead, it evolves alongside the business, providing timely, reliable, and decision-ready information at every stage of execution.

Cost Center Accounting

Management accounting relies heavily on financial analysis. Cost center managers need to understand their spend and performance. Traditionally, this analysis starts with running reports: cost center P&L statements that show actual costs versus the budget. Then comes manual investigation: Why is this line item above budget? Is this a one-time variance or a trend? What is driving the variance and what should we do about it?

The process is time-consuming. A cost center manager might spend hours running reports and investigating variances only to end up preparing a manual narrative explaining the results. For organizations with hundreds of cost centers, this monthly exercise is substantial.

The Cost Center Review Booklet app (ID F7763) transforms management accounting from fragmented reporting into a guided, system-driven financial review process. Instead of assembling insights manually from multiple reports, controllers and managers are provided with a prestructured analytical booklet that consolidates balances, plan-versus-actual comparisons, variances, and trends into a single, coherent view.

Built as an SAP Fiori application on top of SAP S/4HANA Cloud's finance data model, the booklet enables seamless navigation from high-level key performance indicators (KPIs) to detailed line-item analysis, ensuring both consistency and depth in financial reviews. Review cycles become repeatable and standardized, improving alignment across teams and reducing interpretation variability.

A key innovation is the integration of AI-assisted insights, which help summarize variances, highlight anomalies, and generate narrative explanations directly from financial data. This reduces manual effort in report preparation and allows finance teams to focus on interpretation and decision support.

2.1.3 Financial Planning and Analysis

Finance leaders are increasingly expected to answer forward-looking questions. If revenue grows 10 percent, what happens to operating margin? Which cost centers are tracking above budget? What will the cash position be next quarter? Nonetheless, most organizations rely on historical data and manual spreadsheet-based forecasting.

SAP S/4HANA Cloud integrates planning, budgeting, and forecasting directly with actual operating data through SAP Analytics Cloud, an end-to-end cloud solution that combines business intelligence, augmented analytics, predictive analytics, and enterprise planning in a single system. Plan data is maintained in the same structure as actual data, enabling real-time budget versus actual comparisons without manual harmonization. Finance leaders access the data they need through visualizations, stories, and analytic applications that are personalized to their role, such as CFO, controller, or cost center manager. Scenario modeling is built in: What if sales increase 5 percent? What if material costs increase 8 percent? Machine learning identifies anomalies and trends that humans might miss. Smart features use artificial intelligence to automatically discover meaningful insights, reveal hidden

patterns in data, and forecast potential outcomes. The planning cycle itself is collaborative and iterative. Finance teams prepare the planning model, execute the planning phase with input from business units, and then finalize and analyze results, often rolling into the next quarter's forecast without starting from scratch.

SAP provides preconfigured planning content across a broad set of areas including cost centers, profit centers, balance sheet, profit and loss, liquidity, workforce-related planning, production costs, sales, and margins. Because plan data can be maintained in structures aligned with actual data, comparisons are more immediate and less dependent on manual harmonization. The planning cycle becomes shorter not because finance spends less care on planning, but because less effort is wasted translating between incompatible views of performance. The following capabilities are especially important in this area:

- **Margin analysis**

Margin analysis, or the product profitability analysis capability, provides real-time profitability visibility. Because the Universal Journal encompasses full margin analysis capabilities, there is no separate profitability system that must be reconciled to general accounting. Business analysts access necessary detail at the line-item level, and their work harmonizes with overall accounting rather than conflicting with it.

- **Predictive accounting**

Predictive accounting uses current data from SAP S/4HANA, integrated systems, and external sources to forecast future financial results in real time. When a sales order is created, predictive accounting generates predictive journal entries in a special prediction ledger for the expected goods issue and billing. As actual transactions occur, predictive accounting updates these forecasts by adjusting the prediction ledger amounts. Because both actual and predicted data are stored in the Universal Journal, business analysts can compare predicted versus actual results at any level, from financial statements down to individual line items. This eliminates the need for separate profitability systems or reconciliation between prediction and accounting. Finance teams gain visibility into what results will look like before the period closes, enabling faster, more informed decisions.

- **Finance-owned greenhouse gas emission planning**

Greenhouse gas (GHG) emission planning extends financial planning to include a carbon dimension. Organizations can model trade-offs between cost and environmental impact: If we shift to a lower-cost supplier, what is the impact on our carbon footprint? If we optimize transportation routing, what is the cost savings and the emissions reduction? Sustainability considerations are embedded into core financial planning rather than treated as a separate compliance exercise.

GHG emission planning reuses established financial planning structures, including quantity structures, cost centers, products, and allocation rules, to distribute emissions to relevant business objects. By applying emission factors to planned financial and operational data, finance teams can simulate future corporate and product-level carbon footprints and analyze how changes in volumes, cost structures, or sourcing decisions affect both financial and environmental outcomes. This approach enables sustainability

metrics to be embedded into core planning and steering processes, rather than treated as a separate or downstream activity. As a result, finance organizations can incorporate sustainability considerations into their regular planning cycles, perform scenario simulations, and assess trade-offs between financial targets and emissions-reduction objectives within a single, integrated planning environment.

2.1.4 Invoice-to-Pay and Invoice-to-Cash

The invoice-to-pay and invoice-to-cash processes cover vendor- and customer-related finance processes when you pay invoices or collect cash.

The *invoice-to-pay process*, or payables management, covers the finance part of the broader procure-to-pay process that spans from vendor relations and actual procurement to payment. An example of an SAP Cloud ERP innovation for payables and cash managers with central payment management is discussed later in this section.

The *invoice-to-cash process*, or receivables management, includes all financial accounting operations related to accounts receivable, including billing customers and managing disputes, collections, and customer credit risk. Today, receivables managers must constantly balance the need to decrease DSO and bad debt write-offs while maintaining superior customer service. These managers must ensure that cash is on hand to fund business operations and new growth opportunities at low cost to deliver on margin goals.

The invoice-to-cash and invoice-to-pay processes sit close to one of the most tangible concerns of the CFO: working capital. In many companies, cash is not absent; it is delayed. It is trapped in disputes, unapplied payments, unresolved collections, blocked invoices, and process handoffs that occur outside the system or too late in the cycle to influence results. The value of cloud ERP in this area lies in bringing those activities back inside a governed operating loop.

Let's discuss a couple of key capabilities in this space:

■ SAP Cash Application

The final step in the invoice-to-cash process is cash application: matching incoming customer payments to outstanding invoices. This is often tedious, time-consuming work. Imagine that a customer sends a payment but does not indicate which invoices it should apply to. The payment might be a partial payment of multiple invoices, an overpayment, or an underpayment. The accounts receivable team must manually investigate: Which invoices does this payment cover? Are they applying it correctly?

SAP Cash Application is one of the clearest examples of embedded intelligence delivering direct business value. Matching incoming payments to open invoices has always been a necessary but labor-intensive activity. Traditional rule-based automation can help, but it often becomes expensive to maintain and less effective over time. SAP's ML-based matching model improves on this by learning from past clearing behavior and using that history to propose or automate matches with greater contextual precision. Beyond productivity improvements, faster and more accurate cash application also

improves accounts receivable transparency, reduces artificial inflation of DSO caused by delayed clearing, and allows finance teams to focus on true collection and dispute issues rather than processing noise.

■ Collections Worklist app

Collections teams traditionally work from reports exported from the accounts receivable system. Priorities are often ad hoc; collectors follow aging reports or work through customers in alphabetical order. This inconsistency means collection effort is not focused on the receivables that matter most from a cash perspective.

The Collections Worklist app (ID F2375) generates a prioritized list of receivables that collections team members should work on each day. The list is prioritized by cash impact: The highest dollar items are listed first, then the customers at highest risk of nonpayment within that category, followed by the oldest items within that category. The list updates continuously as payments arrive and disputes are resolved. Instead of deciding what to work on each morning based on habit or intuition, collectors start with a focused, actionable list generated by the system.

As shown in Figure 2.3, the Supervise Collections Worklist app accesses the accounts receivable subledger and applies prioritization rules. The system calculates each receivable’s priority based on due date, customer credit rating, payment history, days outstanding, and any custom business rules the organization has configured. It generates a daily list of 20 to 30 receivables that the collector should work on.

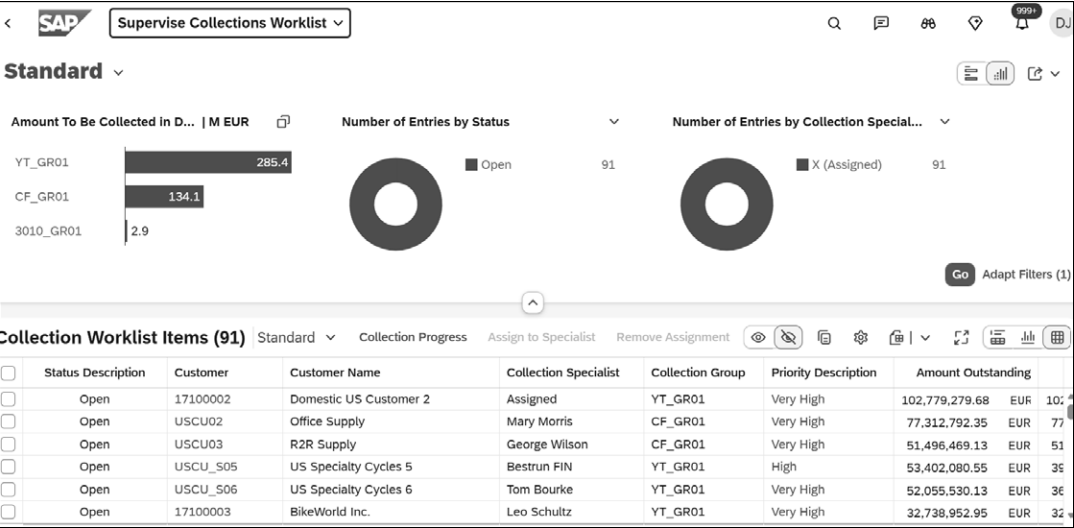


Figure 2.3: Supervise Collections Worklist

On the payable side, SAP Cloud ERP provides the same architectural advantage in reverse. Invoice-to-pay is not simply about paying vendors efficiently; it is also about controlling liabilities, reducing friction with procurement, and improving visibility across commitments and actuals. When payables processing, accruals handling, treasury visibility, and

close activities are structurally connected, finance gains better control over both out-bound cash and period-end accuracy. In this sense, invoice-to-pay and invoice-to-cash should not be treated as disconnected subprocesses. Together, they form the transactional edge of working capital execution.

2.1.5 Treasury and Cash Management

Treasury teams manage cash positions across multiple bank accounts and currencies, maintain banking relationships, forecast liquidity, and manage financial risks. Historically, cash position visibility was fragmented. Information came from multiple banks with delays in reporting. Manual reconciliation was required to consolidate positions across accounts and currencies.

Treasury in SAP Cloud ERP is not treated as a disconnected financial specialist domain sitting downstream of accounting. It is integrated into the same finance foundation that supports cash visibility, payment execution, exposure monitoring, and auditability. This matters because liquidity and risk are highly sensitive to timing, fragmentation, and manual handling. Treasury value increases materially when information is timely, shared, and actionable.

SAP supports treasury and risk management with capabilities for exposure visibility, hedging policy support, integration with trading environments, and automated hedge accounting. For organizations dealing with market exposure, debt instruments, and complex treasury operations, this reduces manual effort while improving control and compliance. Straight-through processing across trade handling, valuation, and accounting reduces spreadsheet dependence, improves documentation, and strengthens the audit trail. Key capabilities include the following:

- **Cash management**

In cash management specifically, the system is designed to provide real-time analysis of bank balances, cash positions, and liquidity forecasts with drilldown capability and integrated action support. This is important not only from the perspective of the treasurer but also from the perspective of the CFO. Cash management becomes more valuable when it does not merely report balances but also supports earlier decisions about liquidity risk, payment timing, and funding needs.

- **Central payment monitoring**

Central payment monitoring adds another important layer by addressing fragmented bank connectivity and payment processing across heterogeneous environments. By providing a more unified control point for payment monitoring and approval and by improving the visibility of cash flow updates during processing, central payment monitoring reduces operational cost, strengthens control, and lowers fraud exposure associated with manual or file-based processes.

■ **Liquidity forecasting**

As shown in Figure 2.4, the Liquidity Forecast app provides real-time visibility into key information such as current liquidity position. You can also drill down to the company level to visualize the cash flow versus the closing balance. These insights allow treasury teams and finance leaders to see risks and opportunities and take appropriate action.

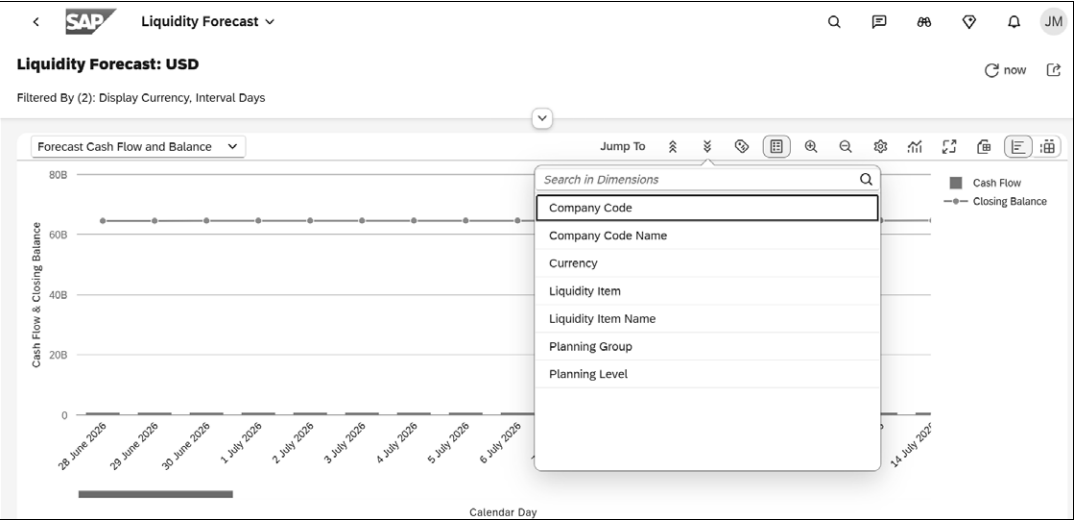


Figure 2.4: Liquidity Forecast

2.1.6 Financial Compliance Management

SAP Risk and Assurance Management, built on SAP BTP, is the next-generation control and compliance software-as-a-service (SaaS) offering integrated into SAP S/4HANA Cloud. The solution allows users to manage controls, compliance activities, and issues from compliance managers, process owners, control owners, and control performers. In addition, SAP Risk and Assurance Management provides real-time checks on inconsistencies, policy deviations, and unauthorized or fraudulent activities. Thus, it supports organizations in establishing preventive and detective measures to avoid the potential of financial misstatements, violation of national or international laws and regulations, and subsequent financial losses.

While covering the comprehensive compliance management lifecycle from documentation, execution, and issue handling to reporting and monitoring, the solution offers the following guiding features and functionalities, as shown in Figure 2.5:

■ **Documentation**

Documentation of control information and associated attributes includes the description, significance, risk level, and related organizations, processes, and regulations, accompanied by manual or automated procedures as applicable.

■ **Execution of procedures**

The control execution is supported by manual or automated procedures:

- The *manual procedures* provide detailed step-by-step guidance to the assigned control performers, allowing them to record individual results and comments.
- The *automated procedures* support the identification of process or policy-based exceptions or deviations using predelivered or custom-generated OData services, a standard web protocol for data exchange. The associated business logic and rules can be individually adapted to meet customer-specific requirements in identification of potential findings and subsequent issue handling.

Automated and manual procedures can be combined to realize the utmost flexibility needs and demanding use-case scenarios. Automated scheduling for execution is available to help ensure proper control performance at all necessary times and frequencies.

■ **Issue handling**

Issues are documented and processed, supported by various classification and tracking options and meeting structured reporting and auditing objectives.

■ **Reporting and monitoring**

SAP Risk and Assurance Management offers an integrated, holistic control analytics dashboard with drilldown features in the cloud within SAP Analytics Cloud, as shown in Figure 2.5:

- **Master data dashboard**

Identification and remediation of potential master data inconsistencies, including missing assignments, owners, or links to processes, control, or manual/automated procedures

- **Compliance dashboard**

Overview of real-time compliance and issue status, including comparison features across organizations, regions, and processes

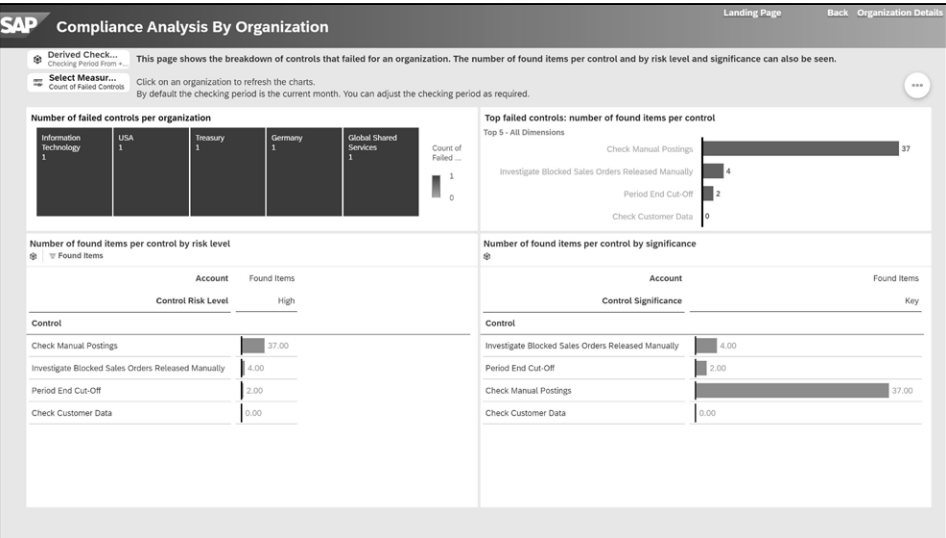


Figure 2.5: Compliance Dashboard: Review Compliance Status by Organization and Follow-Up on Failed Controls

Figure 2.5 shows the compliance dashboard, offering a real-time overview of control execution status and open issues across organizational units, enabling proactive financial compliance management.

SAP Risk and Assurance Management offers tracking and monitoring of controls and associated activities to support financial compliance for multiple regulations organization-wide while providing automation to streamline efforts and reduce costs.

Furthermore, the application is planned to allow users to deploy predefined regulation and control content, including best-practice automated and manual procedures via the Global Risk and Compliance Business Content Hub, a platform for the general and partner ecosystem that provides preconfigured, ready-to-use content.

The significance of this capability is broader than compliance alone. It shows how SAP Cloud ERP supports a central principle of the Autonomous Enterprise: More automation does not reduce the need for control; it increases the need for control to be built into the design of execution itself.

2.1.7 Outcome

In Chapter 1, Section 1.8, we introduced Maria, a CFO facing a familiar problem in Case Study 1: Cash flow was slow despite investing in the right systems and building the right teams. The issue was not visibility but timing. Cash was trapped in unresolved disputes, delayed collections, unapplied payments, and late-month handoffs. By the time issues became visible, intervention was no longer possible. The organization could only absorb the cost.

How does integration change the outcome?

The finance capabilities described in this section do not improve working capital individually. Instead, their value emerges when organized as a continuous process.

The Supervise Collections Worklist app generates a daily prioritized list of receivables ranked by cash impact and risk. Collections specialists start each day with a focused list instead of deciding what to work on. The Event-Based Revenue Recognition app (ID F2441A) recognizes revenue as work completes, allowing finance to see receivables forming during the month rather than discovering them after they have aged. The Dispute Management app (ID F0702A) tracks amounts under dispute and identifies patterns: Which customers dispute repeatedly? Which billing errors arise? Which operational issues? By fixing root causes rather than just clearing disputes, the organization prevents future problems.

SAP Cash Application removes friction at payment matching. The cash management dashboard provides continuous visibility into whether collection efforts are actually improving liquidity. Finance can intervene immediately if something changes.

The Operating Rhythm

Collections specialists work through the prioritized worklist daily. Disputes are tracked and root causes identified continuously. Management adjusts strategy based on results weekly. Finally, the close includes current working capital analysis rather than postmortem explanation monthly.

This brings us to the outcome: Cash is released more steadily. Collections work becomes focused and repeatable. Disputes are resolved faster and recur less often. The CFO's organization no longer struggles with working capital trapped in the dysfunction of reactive cash management.

The improvement does not come from new systems or new people. Existing capabilities, organized to work together and embedded into daily work, created the shift.

2.2 Sales

Sales in SAP S/4HANA Cloud represents the execution layer of the *lead-to-cash* process, in which customer demand is translated into revenue through coordinated order capture, fulfillment, billing, and financial integration. At its core, sales focuses on sales order and contract management, beginning with an inquiry or quote and concluding with billing, returns, and receivables management in finance.

What distinguishes sales in SAP S/4HANA is not simply automation of transactional processes; the ability to operate as an integrated, data-driven, and increasingly exception-based execution model is key. The system connects upstream customer engagement processes with downstream fulfillment and finance, ensuring that sales is no longer an isolated function but part of an end-to-end enterprise flow.

SAP S/4HANA Cloud redesigns sales operations around one principle: low-touch intelligent execution of high-volume routine work, with expert focus reserved for complex, relationship-driving scenarios.

Orders arrive through multiple channels—web, Electronic Data Interchange (EDI), email—but the system processes them identically. Automated checking validates credit limits, compliance requirements, and inventory availability without manual intervention. Workflows escalate only genuine exceptions, letting routine orders proceed automatically. Because sales, fulfillment, finance, and collections work from the same data, problems surface immediately rather than being discovered after they impact the customer.

Now, let's walk through the key capabilities that are part of SAP S/4HANA Sales.

2.2.1 Quote-to-Order

The quote-to-order process is where a customer's needs become an operational commitment. A customer sends an inquiry, sales responds with a quotation, the customer

approves it, and the quotation becomes a sales order that drives manufacturing, procurement, and fulfillment.

Two roles drive this process. The pricing specialist governs the pricing strategy: base prices, volume discounts, promotional pricing, and customer-specific terms. The sales representative engages with customers, responds to inquiries, and prepares quotations based on this pricing framework.

We'll take a closer look at key subprocesses within quote-to-order in the following sections.

Pricing

Pricing is more dynamic than most organizations expect: Product lifecycles shorten; offerings become more complex; multiple pricing strategies apply across different markets and customer segments; market conditions change; pricing assumptions that were valid last quarter may no longer be valid this quarter.

Traditional approaches—pricing maintained in spreadsheets, pricing logic buried in email discussions—create bottlenecks. When a sales representative needs current pricing, they either wait for a response or quote based on outdated information. Customers see different prices than expected, and finance discovers pricing errors weeks after the invoice.

SAP S/4HANA Cloud centralizes pricing logic. Pricing rules are defined once and applied consistently everywhere. A salesperson enters a customer and product, and the system shows the applicable price immediately. Volume tiers and promotional pricing apply automatically, and customer-specific pricing appears automatically. If the salesperson wants to deviate, guardrails prevent margin erosion. Discounts below approved thresholds require manager approval.

The following are a few useful SAP Fiori apps for SAP S/4HANA pricing:

- **Manage Prices – Sales (ID F4111)**

This app lets you manage all customer pricing conditions in one place, enabling flexible pricing. You can create, edit, copy, or delete multiple price records simultaneously.

- **Manage Tax Rates (ID F6972)**

This app lets you define tax rates as condition records in your sales master data. When the system calculates tax for a business document, it uses the corresponding condition record to determine the final tax rate. Mass operations let you manage multiple tax rates efficiently.

- **Manage Sales Documents with Customer-Expected Price (ID F2713)**

This app shows sales document items blocked by price mismatches between the net price and the customer-expected price. You have three options: Accept the customer-expected price and manually adjust the net price, decline it and release the item for processing with the original net price, or reject it to stop processing the item entirely. The latter option is useful when you cannot agree on a price and the customer no longer wants the item. You can also view customer contact information for the selected item and navigate to related apps to view or modify the corresponding sales document.

Configurable Products

For companies selling customizable or engineered products, the quoting process guides customers through options. If a customer chooses option A, which other options are still available? If they choose this configuration, what does delivery look like? How does it affect price?

The system enforces technical constraints and dependencies. A customer cannot specify an incompatible combination of options. As they make choices, the price and delivery date update in real time. By the time the quotation is prepared, both the customer and the salesperson know exactly what they are agreeing to.

The following are a few useful SAP Fiori apps for configurable products:

- **Variant Configuration Overview (ID F2940)**

This feature displays an overview of your variant configurations. From the overview, you can quickly navigate to changed or locked configuration objects, blocked sales order items, recent object dependencies, recent simulations, and favorite configurations. You can also view a list of all variant configuration objects and open their corresponding app to modify them.

- **Simulate Configuration Models (ID F2570)**

This feature enables you to search for configurable products and configured objects and start a configuration simulation with them. You can use the simulation to test and analyze your configuration model by configuring your object using the integrated characteristic value assignment screen and checking whether your dependencies work. You can also display the configured BOM as the result of your configuration.

From Quotation to Order

Once the customer approves the quotation, it converts directly into a sales order. The agreed-upon pricing, product configuration, and delivery terms carry forward. There is no re-entry, no renegotiation, no version confusion. The quotation becomes the binding commercial commitment that the operations team executes against.

For complex deals requiring multiple rounds of negotiation, the system maintains a version history. Customers see what changed between quotation versions. Approvals happen within the system, not via email chains.

The following are a few useful SAP Fiori apps for the quote-to-order process:

- **Quotation Conversation Rates (ID F1904)**

This app uses machine learning to predict which quotations are likely to convert into sales orders. View your quotation conversion rates [here](#).

- **Sales Contract Fulfillment Rates (ID F1905)**

This analytical app displays your sales contract fulfillment rates, including the percentage of target value released in each sales contract. As a sales representative or manager, use this KPI to analyze how well contracts in your sales area are being fulfilled. It can

quickly identify contracts due for renewal and contracts underperforming against expectations.

The outcome is that quotations that would historically take days to prepare now take hours. Pricing is consistent across all customer interactions. Quotations are technically feasible before they reach operations. When a quotation converts to an order, there is no surprise about what everyone actually agreed upon.

2.2.2 Order and Contract Management

Order capture and fulfillment form the core of sales execution and are central responsibilities of the internal sales representative. In today's environment—characterized by increasing order volumes and the need for strict control of sales operating costs—efficiency and scalability are essential. Unlike traditional models, in which manual entry and tracking of orders were feasible, modern sales operations require automated order capture, low-touch processing, integrated compliance, and exception-based execution models.

SAP S/4HANA Cloud addresses these requirements by enabling the following:

- Automated and system-assisted order capture
- Integrated compliance with export, product, and trade regulations
- Embedded credit and risk management
- Workflow-driven approvals and exception handling

At the same time, contracts play a dual role: They support revenue growth by enabling flexible commercial agreements while ensuring that agreed-upon terms and service-level agreements (SLAs) are consistently enforced during fulfillment.

Let's examine the key features and types of contracts supported in SAP S/4HANA.

Manage Customer Contracts

A central responsibility in sales operations is the creation and management of customer contracts, which define the commercial framework for future transactions. SAP S/4HANA Cloud supports multiple contract types to address different business requirements:

- **Sales value contracts**

A *value contract* defines a total monetary commitment over a specified period, allowing customers to draw products or services up to a predefined value threshold.

- **Sales quantity contracts**

A *quantity contract* specifies the total quantity of a product to be purchased within a defined time frame, without fixing delivery dates. An important enhancement in SAP Cloud ERP is support for down payments linked to quantity contracts. This functionality enables the following:

- Payments can be requested via billing plans
- Delivery blocks are automatically enforced if prepayments are insufficient

- Blocks are lifted once payments are received
- The final billing deducts prepayments accordingly

■ Condition contracts

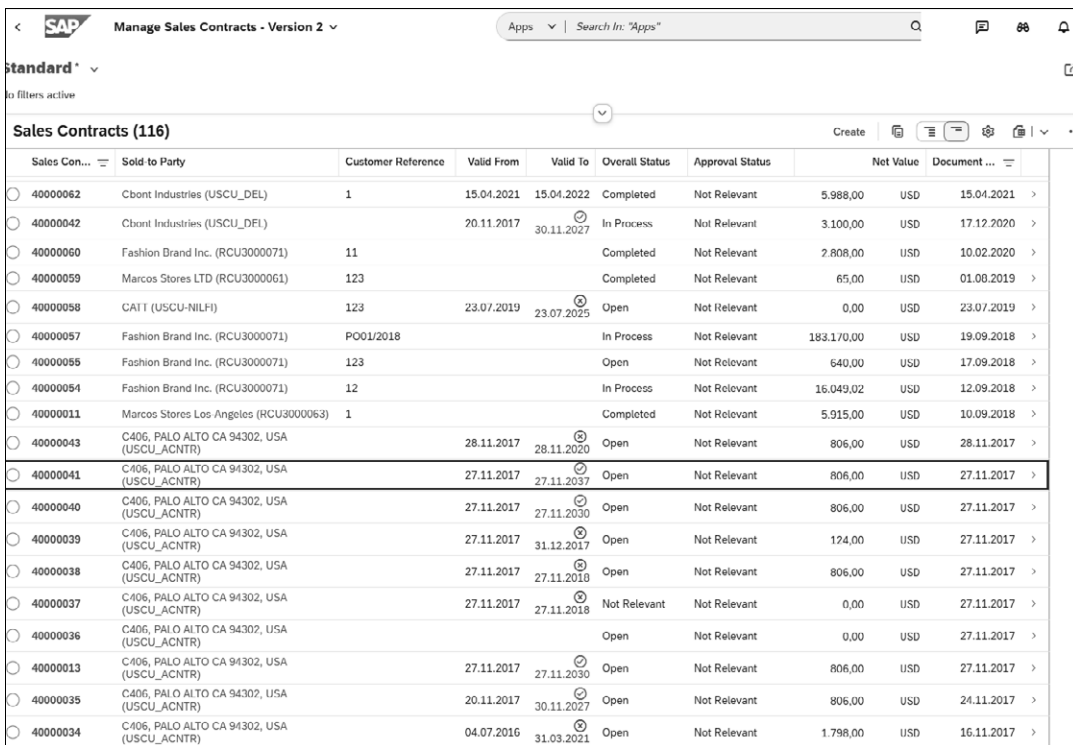
Condition contracts define pricing or settlement conditions, including rebates, commissions, and royalties. These contracts support both of the following:

- Immediate pricing conditions applied during transactions
- Subsequent settlements processed after fulfillment

This enables a broad range of commercial models, including rebate programs and incentive-based selling. To support contract execution, SAP S/4HANA Cloud leverages situation handling, which proactively alerts users when contracts deviate from expected behavior—for example:

- Contracts under- or overperforming relative to elapsed time
- Contracts approaching expiration without follow-on agreements
- Disproportionate fulfillment rates

Figure 2.6 shows the Manage Sales Contracts app, which is a one-stop shop to provide key insights, including the valid-from date, overall status, and valid-to date.



Sales Con...	Sold to Party	Customer Reference	Valid From	Valid To	Overall Status	Approval Status	Net Value	Document ...
40000062	Cbont Industries (USCU_DEL)	1	15.04.2021	15.04.2022	Completed	Not Relevant	5,988,00 USD	15.04.2021 >
40000042	Cbont Industries (USCU_DEL)		20.11.2017	30.11.2027	In Process	Not Relevant	3,100,00 USD	17.12.2020 >
40000060	Fashion Brand Inc. (RCU3000071)	11			Completed	Not Relevant	2,808,00 USD	10.02.2020 >
40000059	Marcos Stores LTD (RCU3000061)	123			Completed	Not Relevant	65,00 USD	01.08.2019 >
40000058	CAIT (USCU-NILFI)	123	23.07.2019	23.07.2025	Open	Not Relevant	0,00 USD	23.07.2019 >
40000057	Fashion Brand Inc. (RCU3000071)	PO01/2018			In Process	Not Relevant	183,170,00 USD	19.09.2018 >
40000055	Fashion Brand Inc. (RCU3000071)	123			Open	Not Relevant	640,00 USD	17.09.2018 >
40000054	Fashion Brand Inc. (RCU3000071)	12			In Process	Not Relevant	16,049,02 USD	12.09.2018 >
40000011	Marcos Stores Los Angeles (RCU3000063)	1			Completed	Not Relevant	5,915,00 USD	10.09.2018 >
40000043	C406, PALO ALTO CA 94302, USA (USCU_ACNTR)		28.11.2017	28.11.2020	Open	Not Relevant	806,00 USD	28.11.2017 >
40000041	C406, PALO ALTO CA 94302, USA (USCU_ACNTR)		27.11.2017	27.11.2037	Open	Not Relevant	806,00 USD	27.11.2017 >
40000040	C406, PALO ALTO CA 94302, USA (USCU_ACNTR)		27.11.2017	27.11.2030	Open	Not Relevant	806,00 USD	27.11.2017 >
40000039	C406, PALO ALTO CA 94302, USA (USCU_ACNTR)		27.11.2017	31.12.2017	Open	Not Relevant	124,00 USD	27.11.2017 >
40000038	C406, PALO ALTO CA 94302, USA (USCU_ACNTR)		27.11.2017	27.11.2018	Open	Not Relevant	806,00 USD	27.11.2017 >
40000037	C406, PALO ALTO CA 94302, USA (USCU_ACNTR)		27.11.2017	27.11.2018	Not Relevant	Not Relevant	0,00 USD	27.11.2017 >
40000036	C406, PALO ALTO CA 94302, USA (USCU_ACNTR)				Open	Not Relevant	0,00 USD	27.11.2017 >
40000013	C406, PALO ALTO CA 94302, USA (USCU_ACNTR)		27.11.2017	27.11.2030	Open	Not Relevant	806,00 USD	27.11.2017 >
40000035	C406, PALO ALTO CA 94302, USA (USCU_ACNTR)		20.11.2017	30.11.2027	Open	Not Relevant	806,00 USD	24.11.2017 >
40000034	C406, PALO ALTO CA 94302, USA (USCU_ACNTR)		04.07.2016	31.03.2021	Open	Not Relevant	1,798,00 USD	16.11.2017 >

Figure 2.6: Manage Sales Contracts

Some additional SAP Fiori apps that are useful for managing contracts are as follows:

- **Monitor Condition Contracts (ID F2954)**

This app provides a consolidated view of your intercompany cost distribution agreements stored as condition contracts. You have complete visibility into all contracts, the ability to search and analyze specific ones, and the capability to create new contracts.

- **Manage Sales Contracts (ID F1851)**

As an internal sales representative, this app gives you a complete view of all sales contracts in the system. You can filter results or search for specific contracts by ID or free text. Once you locate a contract, you can navigate directly to it for detailed analysis, or you can create new contracts, modify existing ones, or create follow-on sales orders without leaving the system. The app also connects you to customer information through the 360 view, giving you the full customer context when you need it. When you need to share contract data with your team, you can export the entire list to a spreadsheet file.

Manage Customer Orders

The internal sales representative (or customer service agent) serves as the central coordination point for order management. This role requires visibility across the entire sales life-cycle, from quotation to financial posting. SAP S/4HANA Cloud provides this through a 360-degree operational view, accessible via applications such as My Sales Overview (ID F2200) (see Figure 2.7), which consolidate key information across the order-to-cash process. Key capabilities to support daily execution include the following:

- Automated sales order creation
- Workflow-based approvals and situation-driven notifications
- Flexible pricing determination
- Product recommendation and proposal management
- Exception-driven fulfillment monitoring (e.g., credit checks, compliance checks, availability checks)
- End-to-end process traceability with detailed logs

A major innovation in recent releases is the introduction of *solution orders*, which represent a shift from product-centric sales to solution-based business models. Traditionally, organizations managed separate structures for the following:

- Sales orders
- Service processes
- Projects
- Subscriptions

This led to fragmented billing, inconsistent margin visibility, and complex orchestration.

Solution orders address this by introducing a single commercial object that combines the following into one integrated structure:

- Products
- Services
- Subscriptions
- Project deliverables

This capability is foundational for organizations moving toward outcome-based and service-oriented models, where success depends on managing the entire lifecycle—from contract to revenue recognition—as a single economic unit.

Figure 2.7 shows the My Sales Overview app, which provides sales representatives with a consolidated, role-based view of their pipeline, open orders, and KPIs.

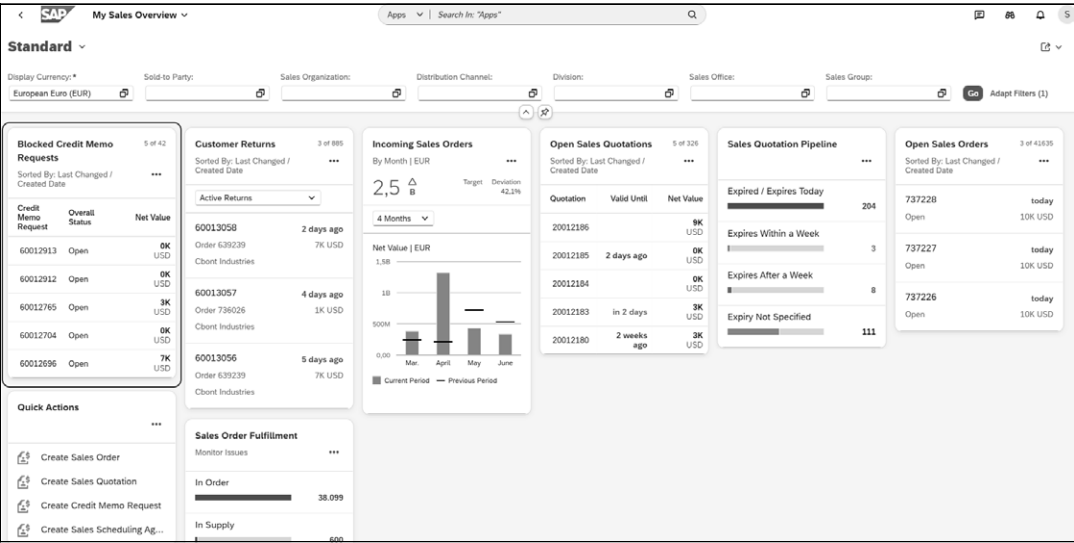


Figure 2.7: My Sales Overview App

Order Capture and Integration Scenarios

To support scalability and reduce operational costs, SAP S/4HANA Cloud enables multiple approaches for automated and system-assisted order capture:

- **Low-touch, intelligent order management**

Orders are captured, validated, and processed with minimal manual intervention. Built-in validations (pricing, credit, compliance, availability) and workflow-based approvals ensure high accuracy and consistency. Sales representatives focus on exceptions rather than routine tasks.

- **Automated extraction from unstructured data**

Orders received via email, PDF, or other unstructured formats can be automatically processed using machine learning and intelligent automation, thus improving efficiency and reducing errors.

- **Spreadsheet-based upload**

Structured data uploads provide a simple mechanism for bulk order creation.

- **SAP Sales Cloud integration**

Native integration with SAP Sales Cloud enables seamless coordination between front-office engagement and back-office execution, with full visibility into pricing, availability, and financial data.

- **SAP Commerce Cloud integration**

Integration with SAP Commerce Cloud supports omnichannel sales by connecting web-based commerce platforms to core fulfillment processes.

- **SAP Business Network integration**

Enables digital document exchange and collaboration between buyers and suppliers, reducing manual effort and simplifying onboarding in B2B scenarios.

Orchestrate the Fulfillment Process

Execution of sales orders extends beyond capture into fulfillment, where coordination across logistics, production, and finance is required. SAP S/4HANA Cloud supports this through real-time monitoring and exception-driven management.

Sales representatives can do the following:

- Monitor the status of orders across the entire process chain
- Identify critical issues early (e.g., delivery delays, missing documents, compliance blocks)
- Take corrective action directly within the system

Monitoring applications provide these features:

- Prioritized lists of orders requiring attention
- KPI-based alerts and visual indicators
- Drilldown capabilities across dimensions such as customer, organization, and issue type
- Integrated collaboration tools for issue resolution

The ability to navigate from high-level issues to detailed process flows ensures full transparency and control over execution.

Figure 2.8 shows the Track Sales Order app (ID F2577), which provides the fulfillment tracking view for sales documents, enabling sales and logistics teams to monitor delivery status, identify bottlenecks, and intervene where execution is at risk.

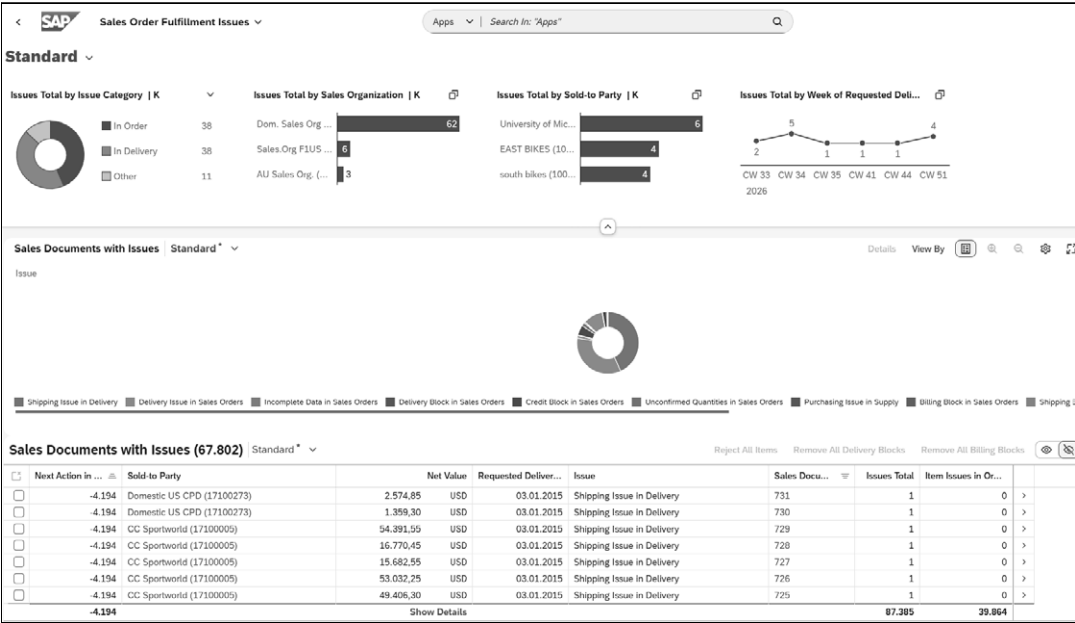


Figure 2.8: Tracking Sales Orders Fulfillment Issues

2.2.3 Customer Invoice Management

Billing represents the point at which commercial agreements are translated into financial outcomes. Billing documents serve as legally binding invoices for goods and services delivered and can be issued electronically, printed, or transmitted through digital channels. Beyond their role in customer communication, these documents also act as the interface to financial accounting, forming the basis for revenue recognition, receivables, and downstream financial reporting.

In SAP S/4HANA Cloud, billing processes are designed to address the increasing complexity of modern business models. Organizations now operate across product-based, service-based, and subscription-driven offerings, often requiring a combination of billing scenarios within a single transaction. To support this, SAP provides a flexible billing framework that combines operational efficiency with the ability to manage complex, multicomponent invoicing scenarios.

A key innovation in this area is the ability to manage preliminary billing data, allowing organizations to prepare, validate, and negotiate invoice content before final posting to financial accounting. In addition, solution billing capabilities enable the consolidation of billable data from both internal and external sources into a unified invoice, supporting evolving commercial models.

Let’s explore the prominent capabilities of SAP S/4HANA Cloud in the customer invoice management domain.

Preliminary Invoicing for Billable Data

Preliminary billing introduces an additional step in the billing process that improves control and transparency, particularly in complex scenarios. Preliminary billing documents are structurally identical to final invoices, but they are not yet posted to financial accounting. Instead, they serve as a working version of the invoice that can be reviewed, adjusted, and validated.

This capability is particularly valuable when invoice details require alignment between multiple stakeholders. For example, pricing conditions, payment terms, or billing schedules may need to be confirmed with the customer before finalization. Preliminary documents can also support internal approval workflows, ensuring that billing accuracy is verified before financial impact is recorded.

Once agreement is reached or approvals are completed, these documents can be converted into final invoices and posted to financial accounting without requiring rework. This approach reduces disputes, improves invoice accuracy, and strengthens customer trust.

Invoice Processing and Execution

Billing clerks play a central role in ensuring that invoices are created accurately, processed efficiently, and delivered in a timely manner. Their responsibilities span the full billing life-cycle—from identifying billable items to resolving errors and ensuring successful payment collection.

SAP S/4HANA Cloud supports these activities through an integrated set of tools that streamline execution. Billing clerks can monitor the billing-due list, process outstanding items, and generate invoices with minimal manual intervention. Worklists and filtering capabilities allow users to focus on relevant transactions, improving both speed and accuracy.

Automation plays an increasingly important role in this process. Periodic billing activities—such as invoice creation or posting to financial accounting—can be scheduled and executed automatically, reducing operational workload. At the same time, error-handling capabilities ensure that exceptions are identified and resolved quickly, maintaining process integrity.

The integration of preliminary billing further enhances execution by allowing users to finalize invoice details before posting, reducing the likelihood of downstream corrections and disputes.

Solution Billing: Enabling Integrated Invoicing

As business models evolve, billing requirements have expanded beyond traditional scenarios. Many organizations now need to combine multiple billing types—such as one-time charges, recurring services, and usage-based fees—into a single invoice, as shown in Figure 2.9.

Solution billing in SAP S/4HANA Cloud addresses this requirement by enabling the consolidation of billing data from various sources, including both internal processes and external systems. This allows organizations to present a unified invoice to customers, even when underlying transactions originate from different channels or involve multiple business models.

Let’s explore some SAP Fiori apps to support this process:

■ **Manage Billing Data – Subscription Billing (ID F6803)**

The Manage Billing Data app displays your billing data at a glance. You can also search for customer bills through the Customer Overview app and drill into bill details from there. When a subscription includes a grouping element, related bill items automatically group together in both apps, making it easier to track subscription-related charges.

■ **Manage Provider Contracts for Sales Billing (ID F6404)**

This app displays a list of all your provider contracts for sales billing. You can filter the results according to your needs by business partner, company code, or other relevant criteria in order to quickly locate the contracts you need. Click any contract in the results list to open it and view its complete details in the app.

This capability is particularly important for solution-based offerings, in which products, services, and subscriptions are delivered together. Instead of generating separate invoices for each component, organizations can create a single, integrated invoice that reflects the complete commercial relationship.

Figure 2.9 shows the solution billing capability in the Manage Provider Contracts for Sales Billing app, which consolidates charges from multiple internal and external sources into a single customer invoice for solution-based and bundled offerings.

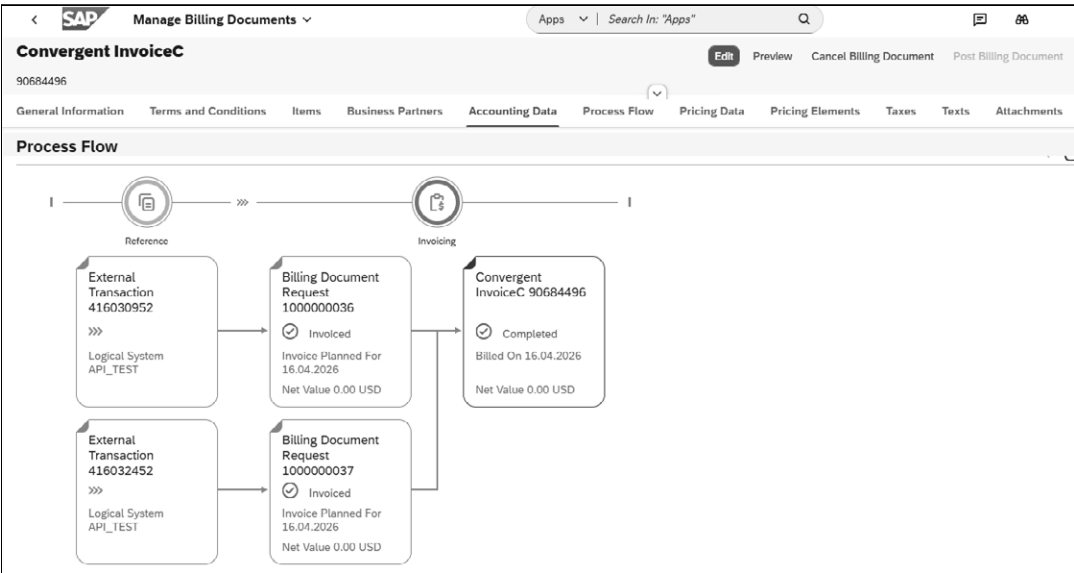


Figure 2.9: Manage Billing Documents

2.2.4 Customer Returns Management

Beyond the initial sale, organizations must manage the full lifecycle of customer engagement, including after-sales processes such as complaints handling, repairs, and returns. In today's competitive environment, customers expect returns to be handled with the same efficiency and transparency as the original sale. Returns management is therefore not only an operational necessity but also a critical driver of customer satisfaction, retention, and brand perception.

At the same time, returns processes have become more complex. Organizations must balance cost efficiency with service quality while also addressing emerging requirements such as sustainability and circular economy models. The ability to reintroduce returned goods into inventory, refurbish them, or recycle them efficiently is becoming increasingly important.

SAP S/4HANA Cloud addresses these challenges through integrated and structured returns management, enabling organizations to manage returns as a controlled, end-to-end process rather than a series of disconnected activities.

The customer returns process typically follows a sequence of coordinated steps. It begins with the initiation of a return request, where the customer's intent to return goods is captured. A return reason is recorded to support both operational handling and later analytical evaluation. The return request is then validated and authorized based on defined policies.

Once approved, the physical return is processed, and the product is received into the organization's facilities or designated returns location. Inspection follows, determining the condition of the returned item and forming the basis for subsequent actions. Depending on the outcome, the organization decides the future use of the product, which may include returning it to inventory, repairing it, scrapping it, or forwarding it to a supplier. Finally, the customer compensation is determined, resulting in a replacement, a refund, or a credit memo.

SAP S/4HANA Cloud integrates these steps into a single process flow, ensuring traceability and reducing manual coordination. The system supports a high degree of flexibility, allowing organizations to adapt their returns process to different business scenarios and product types.

The role responsible for orchestrating this process is the returns and refund clerk, whose objectives are to ensure policy compliance, deliver high-quality service, and maintain full transparency throughout the lifecycle of each return. To achieve this, the system provides a unified view of all relevant information, reduces redundant data handling, and enables full visibility into a customer's complaint history.

Embedded analytics further enhances this process by allowing organizations to identify patterns in returns, understand root causes, and optimize both operational efficiency and customer experience. As returns become more tightly integrated into the overall business process, they evolve from a cost center into a strategic capability supporting customer satisfaction and sustainability goals.

Let's discuss the key SAP Fiori app that helps you orchestrate the returns process in SAP S/4HANA Cloud: Manage Customer Returns (ID F4832). This app handles the complete returns lifecycle from creation through refund. You can create returns orders with reference to a sales order, invoice, or as standalone orders; modify partner addresses, reject items with reasons, and determine refunds; and track returns status through the process flow, manage pricing and business partners, and export data to spreadsheets or PDFs. In addition, you can navigate seamlessly to related customer and sales apps without leaving the returns workflow.

A notable trend in this area is the increasing integration of billing, predictive execution, and returns processes. Billing capabilities now support complex scenarios such as combined invoices for goods, services, and usage-based charges. Predictive analytics help identify potential issues early, enabling proactive communication with customers. Returns management, in turn, becomes a seamless extension of the lead-to-cash process, ensuring that even postsale activities are fully integrated into enterprise execution.

2.2.5 Sales Analytics

As sales volumes increase and business models become more complex, the role of analytics in sales execution becomes increasingly critical. Sales managers must continuously balance revenue growth, margin protection, and operational efficiency while managing a growing number of transactions and customer interactions.

SAP S/4HANA Cloud addresses this need by embedding analytics directly into the sales process. Rather than separating operational execution from reporting, the system enables real-time monitoring, analysis, and action within a unified environment.

Sales planning begins with the definition of targets that are distributed across organizational units such as sales regions, offices, and teams. These targets provide a framework against which actual performance can be measured throughout the period. With this structure in place, sales managers can continuously compare actual performance against the plan, enabling early identification of deviations and timely corrective action.

A key advantage of SAP S/4HANA Cloud lies in its ability to integrate analytics into operational workflows. For example, the same analytical capabilities used for reporting can also drive operational applications such as sales order fulfillment monitoring. In these scenarios, analytics identify potential issues and recommend actions directly within the process, enabling users to move from insight to action without switching contexts.

Sales analytics capabilities include multidimensional reporting on the following:

- Sales volumes and revenue trends
- Profit margins and pricing performance
- Delivery performance and fulfillment efficiency

These insights are available through flexible analysis tools that allow users to drill down from high-level KPIs to detailed transactional data. In addition, predictive capabilities support forward-looking insights such as delivery delays or product recommendations.

The value of analytics extends beyond sales alone. Because SAP S/4HANA Cloud operates on a unified data model, sales data is intrinsically linked to finance, production, and controlling. This enables a holistic view of business performance and supports enterprise-level decision-making, including integration into executive dashboards such as SAP Analytics Cloud.

For sales managers, analytics is not only about reporting but also about process control and performance optimization. Their responsibilities include defining sales strategies, managing quotas, monitoring execution, and ensuring that sales operations align with overall business objectives. Embedded analytics supports these tasks by providing timely insights and enabling proactive management of sales activities.

Ultimately, sales analytics transforms sales from a reactive function into a data-driven, proactive, and adaptive capability, enabling organizations to continuously optimize performance and respond to changing market conditions.

Figure 2.10 shows the **Sales Planning and Analytics** view for sales managers, embedding real-time KPIs and drilldown capabilities directly within the sales process to support data-driven performance management.

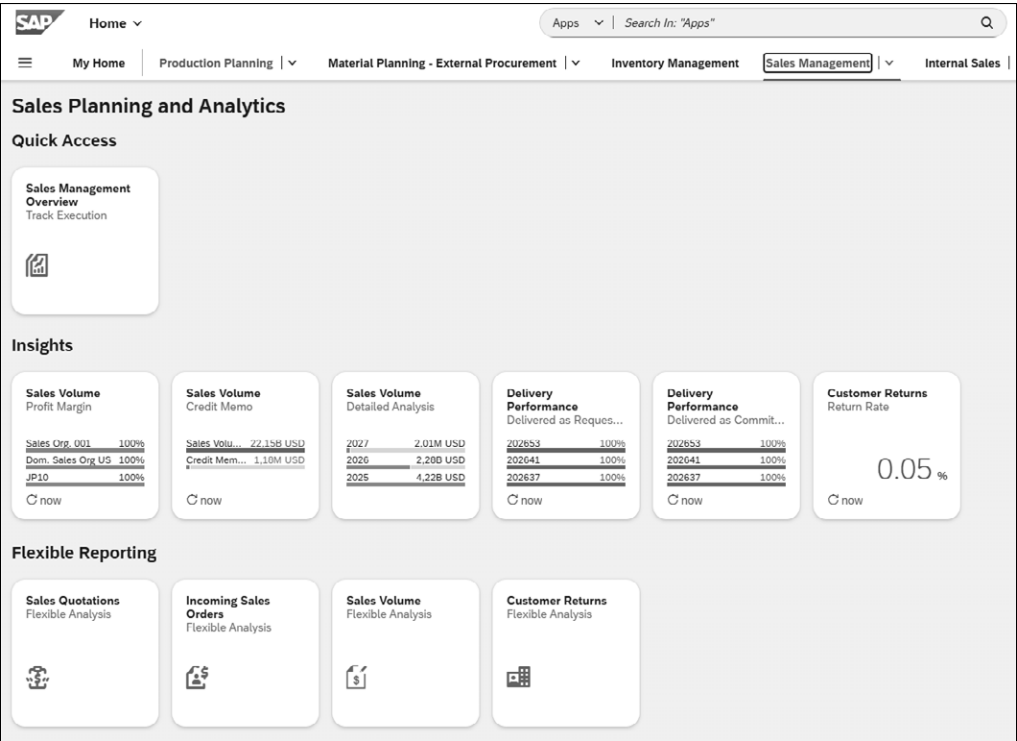


Figure 2.10: Sales Planning and Analytics View for Sales Manager

2.2.6 Solution Business Models

Traditional sales models have historically focused on delivering individual products or services to meet specific customer needs. However, as customer expectations evolve, organizations are increasingly moving toward solution-based business models, in which multiple offerings are combined into a single, integrated value proposition.

In a solution business model, organizations deliver comprehensive outcomes that may include products, services, subscriptions, and associated support activities across the entire lifecycle. For example, what was once a simple product sale may now include installation services, ongoing maintenance, digital subscriptions, and additional value-added services. These combined offerings are designed to meet broader customer needs while increasing both customer satisfaction and revenue potential.

This shift significantly expands the scope of sales operations. Organizations must now manage not only the initial sale but also the ongoing delivery and performance of the solution. This requires tight coordination across multiple process areas, including logistics, services, project management, and billing.

SAP S/4HANA Cloud supports this evolution through solution order management, which enables organizations to design, sell, and manage complex offerings within a unified framework. A solution order acts as the overarching structure that integrates all components of the offering and ensures that dependencies between them are managed consistently.

The system supports the full lifecycle of solution-based sales, from initial configuration and pricing through fulfillment, billing, and financial reporting. Integration with external systems, such as configure, price, quote (CPQ) solutions, allows organizations to tailor offerings to customer-specific requirements, while internal capabilities ensure that these configurations remain aligned with operational constraints.

From a business perspective, solution-based models enable organizations to do the following:

- Increase customer retention by delivering integrated value
- Accelerate time to market for new offerings
- Improve margin performance through bundled services
- Enhance differentiation in competitive markets

For finance leaders, these models also introduce opportunities for improved working capital management and more accurate revenue forecasting through integrated billing and recognition processes.

By supporting the end-to-end lifecycle of these complex offerings, as shown in Figure 2.11, SAP S/4HANA Cloud enables organizations to transition from product-centric selling to outcome-driven business models, where value is delivered continuously rather than at a single point in time.

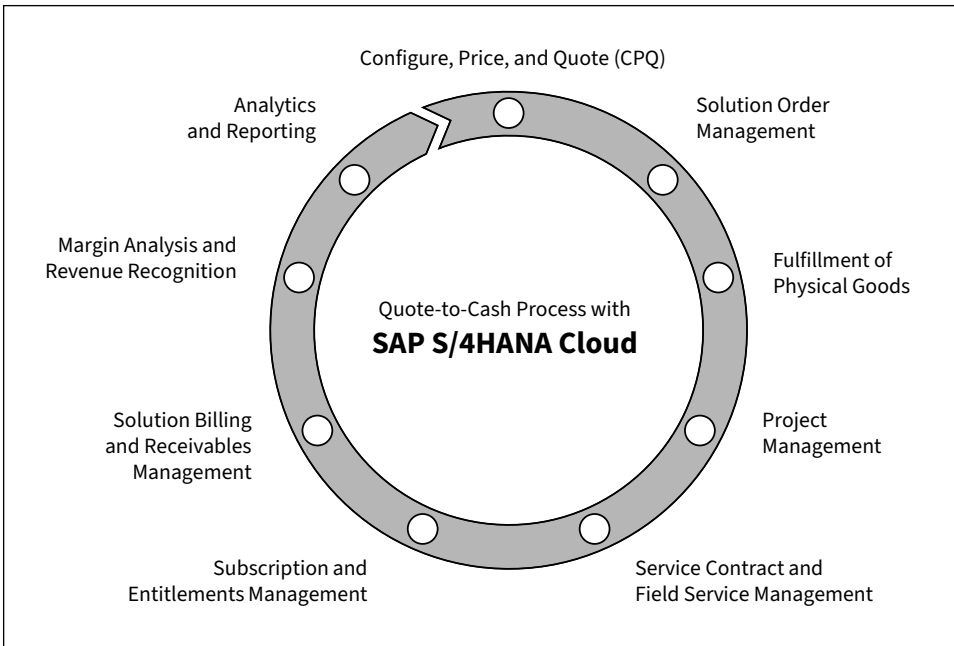


Figure 2.11: Quote-to-Cash Process with SAP S/4HANA Cloud

2.2.7 Advanced Intercompany Sales

Earlier sections focused on sales execution within a single legal entity, but many enterprises operate across multiple company codes, subsidiaries, and geographies. In such environments, customer-facing transactions often involve multiple internal entities, each responsible for different parts of the value chain. *Advanced intercompany sales* extends the standard order-to-cash process across these boundaries, enabling consistent, transparent, and automated execution across the entire enterprise.

Intercompany sales processes occur when a selling entity interacts with an external customer, but fulfillment is performed by a different entity within the same corporate group. These scenarios are common across industries, especially in organizations with centralized manufacturing, regional sales organizations, or shared service models. Historically, such processes have been difficult to manage due to fragmented systems, manual coordination, and limited visibility across entity boundaries.

SAP S/4HANA Cloud addresses these challenges through a redesigned intercompany sales model that integrates sales, procurement, logistics, finance, and compliance into a single, end-to-end process flow. At the core of this model is the concept of *value chain monitoring* (VCM), which provides a unified framework for orchestrating and tracking transactions across entities. Instead of treating each step as an isolated activity, the system manages the entire value chain as a connected sequence of events, ensuring consistency and traceability throughout the process.

In a typical advanced intercompany sales scenario, a sales organization belonging to the selling company receives an order from an external customer and creates a corresponding sales order. If the products are sourced from a plant belonging to another company code, the system automatically generates the necessary follow-on documents, including intercompany purchase orders and intercompany sales orders between the participating entities.

As the process progresses, goods are delivered directly to the customer by the delivering company. At the same time, the system manages a series of coordinated financial and logistical steps, including stock transfers, invoicing, and revenue recognition across entities. All relevant documents—customer orders, intercompany transactions, deliveries, and invoices—are generated and linked automatically, creating a fully auditable transaction chain, as highlighted in Figure 2.12. This flow illustrates how the selling company, delivering company, and end customer are coordinated across legal entities with valuated stock in transit.

A key innovation in this process is the use of valuated stock in transit. This mechanism allows the system to track ownership and control of goods as they move between entities and ultimately to the external customer. By managing transfer-of-control events explicitly, SAP S/4HANA Cloud ensures that financial postings—such as cost of goods sold (COGS) and revenue recognition—are aligned with both operational reality and regulatory requirements.

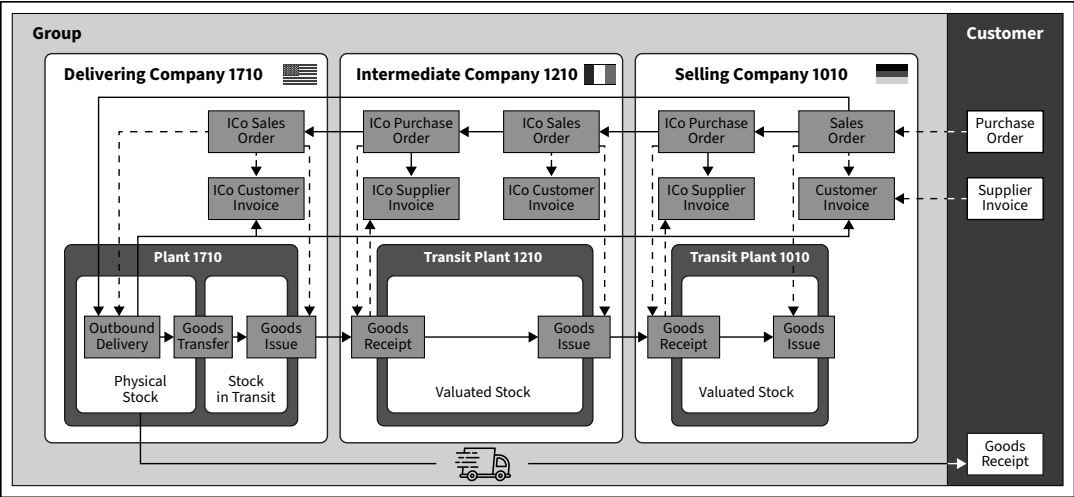


Figure 2.12: Overview of Advanced Intercompany Sales Process

Given the complexity of multientity transactions, visibility and control are critical. SAP S/4HANA Cloud provides this through the Monitor Value Chains app (ID F4854), which offers a comprehensive view of all relevant process steps across the intercompany flow, as shown in Figure 2.13.

Users can view the entire transaction either as a structured list or as a graphical flow, covering all major documents, including sales orders, intercompany orders, deliveries, material movements, and invoices. This integrated view enables users to trace the lifecycle of a transaction from the initial customer order through fulfillment and financial settlement.

Importantly, the system also supports operational interventions. In cases of errors or delays, users can repeat process steps, navigate to related applications, and resolve issues directly within the flow. This transforms intercompany processing from a reactive activity into a managed, transparent, and controllable process.

SAP Monitor Value Chains ▾

Apps ▾ | Search In: "Apps" 🔍

Standard ▾

🔍

Initiating Document:

Processing Stage:
 Processed with Errors x
Reprocessing x
4 More ▾

⬆️ 🔄

Business Processes (49)

Initiating Document		Process Type	Processing Stage	
729881 Sales Order	⚠️ i	Advanced Intercompany Sales	⚠️ Pending	>
4500608674 Purchase Order		Advanced Intercompany Stock Transfer	⚠️ Pending	>
4500608660 Purchase Order	⚠️ i	Advanced Intercompany Stock Transfer	✅ Completed	>
4500608659 Purchase Order		Advanced Intercompany Stock Transfer	⚠️ Pending	>
4500608658 Purchase Order	⚠️ i	Advanced Intercompany Stock Transfer	✅ Completed	>
4500608636 Purchase Order		Advanced Intercompany Stock Transfer	⚠️ Pending	>
4500608634 Purchase Order	⚠️ i	Advanced Intercompany Stock Transfer	⚠️ Pending	>
4500608632 Purchase Order		Advanced Intercompany Stock Transfer	⚠️ Pending	>
4500608601 Purchase Order		Advanced Intercompany Stock Transfer	⚠️ Pending	>
691442 Sales Order	⚠️ i	Advanced Intercompany Sales	✅ Completed	>
691441 Sales Order		Advanced Intercompany Sales	⚠️ Pending	>
691440 Sales Order	⚠️ i	Advanced Intercompany Sales	✅ Completed	>

Figure 2.13: Monitor Value Chains App

Advanced intercompany sales delivers value by combining multiple capabilities into a coherent execution model. It integrates closely with the following:

- Product and trade compliance, ensuring adherence to regulatory requirements
- Transportation management, supporting logistics planning and execution
- Revenue recognition, aligning financial postings with transfer-of-control events
- Product costing and profitability reporting, enabling consistent financial analysis
- Group reporting and consolidation, ensuring seamless financial integration across entities

By embedding these capabilities directly into the process, SAP S/4HANA Cloud reduces manual effort, eliminates data inconsistencies, and improves auditability. Transactions are

executed automatically based on defined rules, and data flows seamlessly across systems without the need for reconciliation.

From a business perspective, this results in the following benefits:

- Greater transparency across the entire value chain
- Faster and more reliable execution of intercompany transactions
- Improved compliance with accounting and regulatory standards
- Enhanced ability to monitor and optimize cross-entity operations

Advanced intercompany sales enables organizations to operate as a connected enterprise, where processes, data, and decisions flow seamlessly across organizational boundaries. This capability is essential for companies operating at scale, ensuring that complexity does not become a barrier to growth but instead is managed through structured, automated, and intelligent execution.

2.2.8 Outcome

In Chapter 1, Section 1.8.2, James in Case Study 2 faced a problem that haunted his operations: on-time, in-full (OTIF) delivery at 86 percent. Fourteen percent of orders arrived late or incomplete. He could see the causes—volatile demand, unreliable supplier confirmations, delayed reactions—but by the time the issues became clear, only expensive options remained, such as rush freight, expedited production, or accepting strained customer relationships.

The real problem was not lack of visibility but timing: the gap between when a risk emerged and when anyone could actually do something about it.

How does the operating model change?

SAP S/4HANA Cloud narrows that gap by pulling detection and response directly into how orders move through the system. Orders are monitored continuously as they execute. A sales order posts, and the system immediately confirms whether items are available. If not, it flags the shortage while there is still time to source from an alternative supplier or adjust the customer's delivery date. Problems do not accumulate until the weekly review; they surface the moment they start forming.

Fewer errors enter the system in the first place. Availability is checked before the order is confirmed. Pricing is validated, credit is verified, and compliance is confirmed. By the time an order reaches fulfillment, it has already passed through these gates. Fewer disruptions downstream mean fewer fires to fight.

Insights surface inside the workflow, not in a report prepared later. A fulfillment specialist sees an order flagged as at-risk delivery, with context: This customer's shipments typically go to this location, which is experiencing delays with this carrier. The specialist can adjust the route or push the delivery date proactively. The problem thus is solved before the customer notices.

The Operating Rhythm Shifts

The operational rhythm changes measurably.

Daily, teams no longer work from a list of late orders requiring recovery. They work from a prioritized view of orders at risk, allowing intervention while alternatives still exist.

Signals surface and are addressed continuously. If a supplier confirmation does not arrive by the expected time, it is flagged immediately rather than discovered during end-of-day reconciliation.

Weekly reviews shift from postmortem analysis (Why was this order late?) to forward-looking planning (How do we prevent this pattern from repeating?).

Over time, the pattern changes. Fewer orders require expediting because problems are caught earlier. Premium freight becomes an exception rather than a budget line item. Customer penalties decline because commitments are met more reliably.

OTIF improves not from better firefighting but thanks to preventing the need to fight fires in the first place. The company acts earlier, when the outcome can still be changed.

2.3 Sourcing and Procurement

Sourcing and procurement are vital functions for practically every organization. A *procurement process* is generally defined as one organization purchasing a good or service from another organization or individual. These procurement activities are classified as direct procurement or indirect procurement. With *direct procurement*, your organization is purchasing materials and services that contribute to a product being produced or delivered, while with *indirect* or *supporting procurement*, materials and services are acquired to keep the firm itself functioning.

This section provides an overview of the sourcing and procurement process in line with sourcing and procurement capabilities in SAP S/4HANA Cloud, concluding with the key innovations introduced by the latest releases of SAP S/4HANA Cloud.

Figure 2.14 shows the end-to-end sourcing and procurement process in SAP S/4HANA Cloud, from strategic sourcing and supplier management through to purchase order processing and invoice settlement.

Before purchasing a good or a service, an organization typically identifies and sources the requirements. *Sourcing* is the process of matching your organization's needs with a supplier who will provide the goods or services needed. The steps for a sourcing process include identifying and understanding the requirements, winnowing down the pool of bidders to the most viable suppliers, requesting information and bids from suppliers, awarding the purchase to the supplier with the best proposal, and then moving to the procurement process by creating a purchase order or contract.

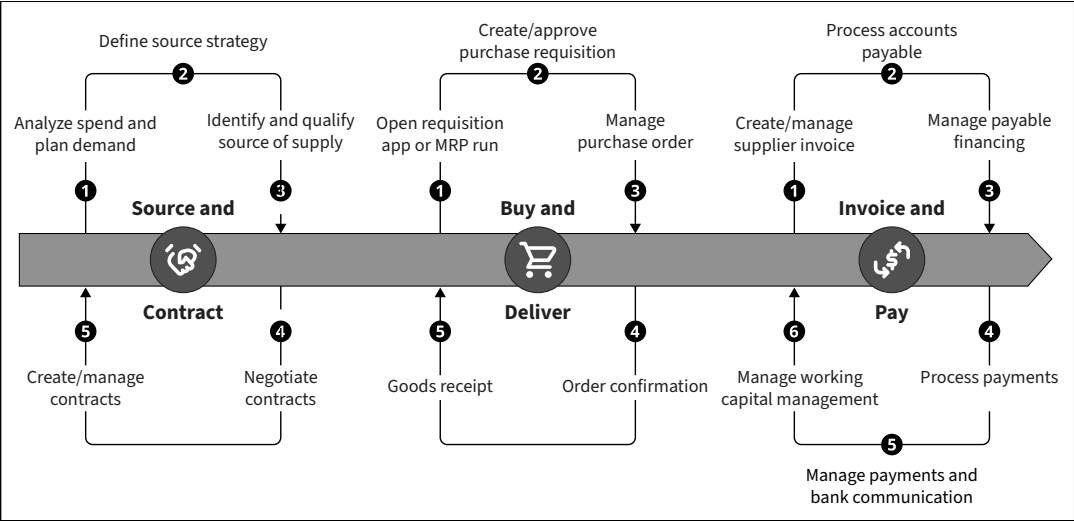


Figure 2.14: Sourcing and Procurement End-to-End Process Overview

Procurement typically takes up where sourcing leaves off, creating purchase requisitions and issuing purchase orders for goods or services to the supplier identified during the sourcing process as the source of supply. Finally, the *procure-to-pay* process arrives at payment, which includes receiving and processing receipts and invoices in follow-on processes.

Although payments are typically triggered at the end of a procurement process and at the start of a sourcing process, some procurement scenarios are common enough exceptions to undermine a one-size-fits-all sequence. Rather than insist on a sole sequence, we can more easily identify the key areas and categories of sourcing and procurement, as shown in Table 2.1.

Procurement Process Area	Description	Occurrence in Source-to-Pay Process	Main SAP S/4HANA Cloud Integration Points
Operational purchasing	Transactional procurement, core purchase order, goods receipt, service receipt, and invoices	Before invoice and payables management	Finance, inventory management, and production planning
Collaborative sourcing and contract management	Request for quote, purchase, information process, source selection through bidding or single source, and contract definition	Either after or before operational purchasing	Finance, inventory management, and production planning

Table 2.1: Procurement Process Areas

Procurement Process Area	Description	Occurrence in Source-to-Pay Process	Main SAP S/4HANA Cloud Integration Points
Invoice and payables management	Invoice submission by supplier, verification, and payment by accounts payable	After operational purchasing	Finance
Supplier management	Supplier designation, master data, and performance management	Run in parallel with the other process steps or at the end of the procurement process	SAP S/4HANA master data
Procurement analytics	Analysis of core KPIs, such as spend analysis, demand and forecast planning, and supplier performance and consolidation	Run in parallel to other process steps and/or the end of the procurement process	Finance and inventory management

Table 2.1: Procurement Process Areas (Cont.)

SAP S/4HANA Cloud addresses all the procurement areas shown in Table 2.1 in depth, both as part of the core offering native within SAP S/4HANA Cloud and through augmenting cloud solutions within SAP Ariba and SAP Business Network, SAP Fieldglass, and SAP BTP. Supporting these processes within a complex enterprise or solution stack requires integration. SAP offers both native integration from SAP S/4HANA Cloud to SAP Ariba solutions in key areas such as SAP Business Network, and extending integration layers in the form of SAP Integration Suite, managed gateway. We will discuss the SAP Ariba integration into the source-to-pay process within SAP S/4HANA Cloud in Chapter 4.

Now, let’s dive into the core capabilities for sourcing and procurement in SAP S/4HANA Cloud.

2.3.1 Source-to-Contract

The source-to-contract process is where procurement earns its keep. The hard part is not cutting purchase orders; it is finding, qualifying, and contracting the right sources at the right risk level, then making those terms stick in daily buying. Most organizations leak value in three places. First, noncontracted spend creeps in because buyers cannot see approved sources or current terms at the moment of need; tail categories are bought “off system,” prices drift, and savings evaporate. Second, authoring lives in email and spreadsheets while execution lives in the ERP system; renewal dates, price indexations, and service levels become manual chores, so contracts lapse or underdeliver. Third, supplier performance is

fragmented; negotiations focus on price while the real costs—late deliveries, defects, expedites—show up months later in operations.

SAP S/4HANA Cloud tackles these issues by putting sourcing events, contract lifecycle, and supplier performance on one operational spine and by integrating natively with SAP Ariba Sourcing and SAP Business Network when collaborative events are required. A purchase requisition that cannot autofind a source becomes a guided sourcing request; you issue a request for quotation (RFQ) in SAP S/4HANA Cloud or run an SAP Ariba event, analyze bids with embedded scorecards, and award directly to a purchase contract or scheduling agreement. The same system that authors the contract enforces price conditions on purchase orders, tracks volumes and renewals, and alerts you before terms expire. Stakeholder surveys and supplier KPIs sit next to price during bid analysis, so awards reflect total value, not just unit cost.

The business impact is tangible: higher contract coverage and lower maverick spend, faster cycle times from request to award, fewer stockouts and expedites as sourcing sees real demand and inventory, and improved compliance because contract, price, and approval controls are embedded rather than policed. In short, sourcing and contracts in SAP Cloud ERP turns policy into practice, buying better, faster, and with less risk.

The activities involved with sourcing goods and services range from the everyday sourcing requirements to find, for instance, a supplier for office supplies to more strategic sourcing activities for projecting and forecasting demand in a core spend category for the business and negotiating the best prices with an optimal supplier mix. Sourcing is not always or solely about price. A supplier can offer the best price, but if the supplier cannot deliver on this price or is challenged by external factors, then having the best price can be an unacceptable trade-off and might result in a large-scale supply chain disruption or degradation of quality in the end product to be delivered. If your products and services are the sum of your suppliers' inputs, it follows that quality control must begin at the supplier level.

Figure 2.15 shows the Manage Sourcing Projects app (ID F4861), which enables procurement teams to create and manage competitive bidding events, compare supplier bids, and award contracts within a single application.

The sourcing cockpit in SAP S/4HANA Cloud builds on previous versions of the sourcing functionality in SAP ERP. SAP ERP has always been somewhat constrained by the collaborative requirements of strategic sourcing because opening your company's sensitive financial and HR data from behind its firewall is required to solicit bids through a RFQ. For this type of sourcing effort, the best option remains the SAP Ariba Sourcing solution.

RFQs are an important aspect of sourcing in SAP S/4HANA Cloud, and several options exist for managing this process, as well as related follow-on processes for operationalizing agreements with suppliers into contracts and purchases. You can initiate an RFQ by clicking the plus icon (+) in the Manage RFQs app (ID F2049) and creating a new RFQ, as shown in Figure 2.16.

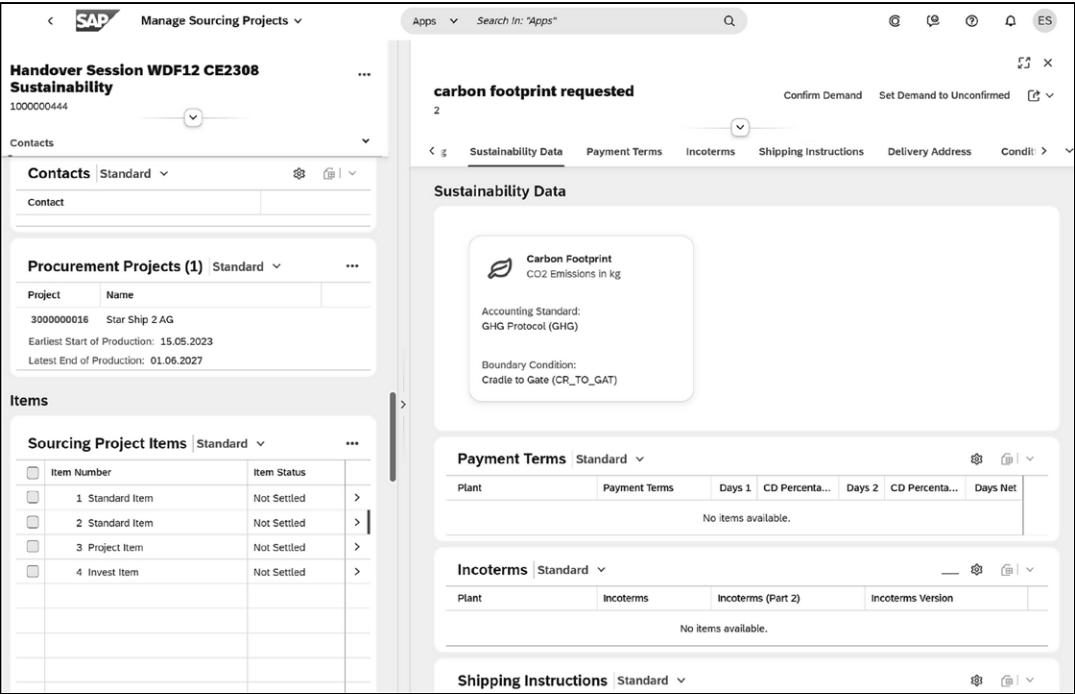


Figure 2.15: Manage Sourcing Projects App

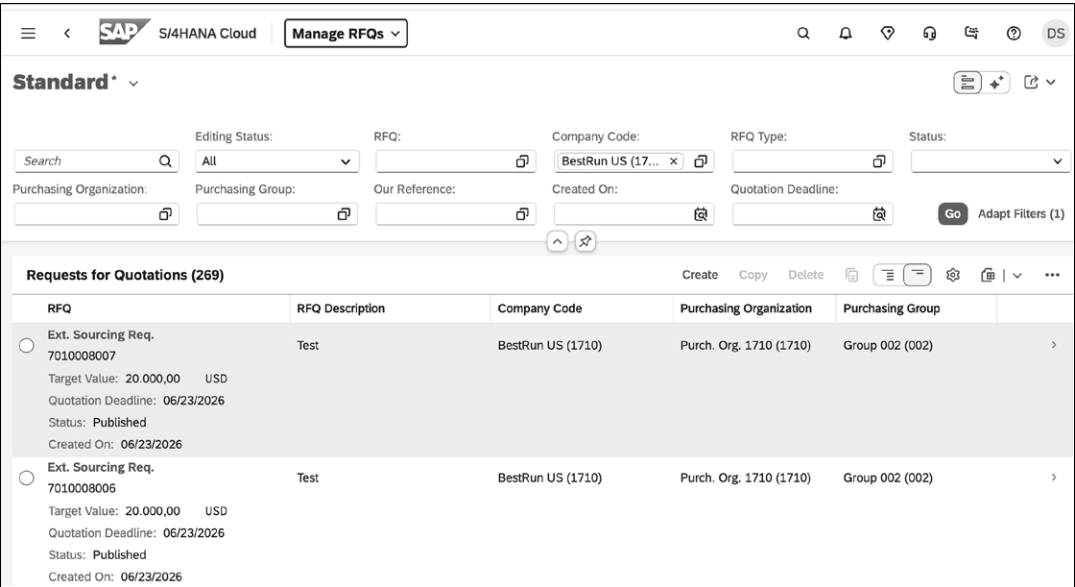


Figure 2.16: Manage RFQs App

In the Manage RFQs app, a buyer can create an RFQ and invite suppliers, defining the follow-on document for the RFQ as a purchase order, value contract, or quantity contract, as shown in Figure 2.17.

SAP

S/4HANA Cloud

Request for Quotation

Facility Service_3

7010007992

Copy

History

Summarize

Related Apps

General Information

Delivery and Payment Terms

Items

Bidders

Output Details

Quotations

Legal Transactions

Process Flow

Notes

Attachments

Approval Details

Items (1)

Standard

RFQ Item	Short Text	Material	Material Group	Plant	Requested Quantity	
10	A200 Bike Chain & Sprocket set	MZ-TG-A200	Bike Consumables (ZBIKE_CON)	Plant 1 US (1710)	100	EA
Delivery Date: 06/18/2026						
Info Record Update: No						

Bidders

Standard

Supplier

There are no entries yet

When there are, you'll see them here.

Output Details (1)

Standard

Send Output

Duplicate

Retry

Set to Completed

Item ID	Log	Status	Dispatch Time	Output Type	Role	Recipient	Channel	Form Language	Form Template
1		Completed (4)	Immediately (1)	External Request (EXTERNAL_REQU 6007)	AS	ARIBA_RFQ	EDI (EDI)		

Figure 2.17: RFQ Creation

A potential supplier responds to this invitation with a bid, and the buyer can compare competing bids in the system and leverage various transactional and analytical SAP Fiori apps for suppliers in SAP S/4HANA Cloud, such as the following:

- Manage Sources of Supply
- Operational Supplier Evaluation Last 365 Days
- Overall Supplier Evaluation Last 365 Days
- Supplier Evaluation by Quantity Last 365 Days
- Supplier Evaluation by Price Last 365 Days
- Supplier Evaluation by Time Last 365 Days
- Supplier Evaluation by Questionnaire Last 365 Days
- Supplier Evaluation by User Defined Criteria Last 365 Days

Using these apps provides the buyer with a more informed view to select the best supplier to fulfill the RFQ requirements. Once a winning bid has been selected and awarded, a follow-on document is created, which leads into the operational procurement portion of the process.

2.3.2 Procure-to-Receipt

Once a sourcing event is concluded and a contract or source of supply is established, procurement moves into operational execution. The procure-to-receipt process covers

everything from creating a purchase requisition through ordering, goods or service receipt, and invoice verification. It spans two primary subprocesses: service procurement for buying nonmaterial items and managed services, and operational procurement for the day-to-day purchasing of goods and services by employees and purchasing teams.

Service Procurement

In many industries, a growing trend is to move from traditional business models based on the production and selling of goods toward bundling diverse offerings combining goods, warranties, continuous maintenance, and licenses into an overall service offering. A typical example might be selling a driving experience through lease options instead of selling a car, together with a service plan, guaranteed work, and standard repairs. As a result, services increasingly are infiltrating the heart of the business world.

SAP S/4HANA Cloud provides a new feature for overall service procurement. The material master has effectively become a product master, thereby enabling a multitude of integration facets inside SAP S/4HANA Cloud and inside the overall set of SAP products. This new approach is still coming to fruition, but several valuable capabilities are available right now, including the following:

- Service procurement is integrated with service management, which enables the selling of services procured from a third-party supplier. Integration also provides goods receipt and supplier invoice information, as well as a pricing capability to determine the sales price based on the procured price plus a margin.
- Service procurement is integrated into the professional service scenario so that external supplier workers can report their spent efforts using a time sheet, which can be converted automatically into a service entry sheet.
- Service procurement is integrated with transportation management in SAP S/4HANA Cloud, enabling a much better experience during settlement of freight invoices so that the service parts on the freight invoice can be used in a three-way match. Thus, differences between the expected price and the stated price on the invoice can be identified easily to help choose the appropriate service.
- Service procurement in SAP S/4HANA Cloud is also useful when billing costs between affiliated companies (scope item 3ZB) for simple cross-company services (i.e., a service bought from one affiliate company and executed on behalf of multiple other companies). These activities include, for instance, cafeteria services, gardening, and the like, all of which can be automated when generating follow-on documents between the selling and the procuring company.

Note

SAP continuously extends service procurement integration into additional areas, including enterprise asset management and enterprise portfolio and project management. Check the SAP S/4HANA Cloud release notes for the latest scope items and integration coverage as these capabilities evolve with each quarterly release.

Operational Procurement

Operational procurement is driven primarily at the employee level, when an employee identifies a requirement and goes into the system to place an order. The three main types of procurement conducted in operational procurement are stock, consumables, and external services. *Stock procurement* is typically used for direct procurement activities and entails purchasing stock items and taking these items into inventory for management and distribution. A *consumable item* is often an indirect item that is consumed and replenished on an ongoing basis but not managed in the system as inventory. Pens, paper, coffee for the office kitchen, and other types of consumables may be ordered by the office manager or perhaps directly by an employee who notices that the office is out of a consumable good. Indirect purchasing of this nature is usually low value and high volume. The high volume makes it significant to the overall spend of an organization. High volumes also make consumable spending an ideal area to manage procurement using self-service processes in a system, allowing buyers to focus on strategic spending in your organization and enabling the requesting employee to select exactly what they require without going outside the regular approval and spend processes of the organization.

Buying services, such as building maintenance, consulting, or other tasks suitable for contingent labor, fall into the category of *external services* procurement. External services are delivered by individuals or groups who are not employees of your organization but are only involved in delivering that particular scope of work. External services can be part of direct procurement and indirect procurement activities.

SAP S/4HANA Cloud provides apps completely built on the SAP Fiori design system. You can use these apps to create and review requisitions and identify appropriate sources of supply using a consumer-grade user experience (UX). The user accesses these apps through tiles on a home screen, as shown in Figure 2.18.

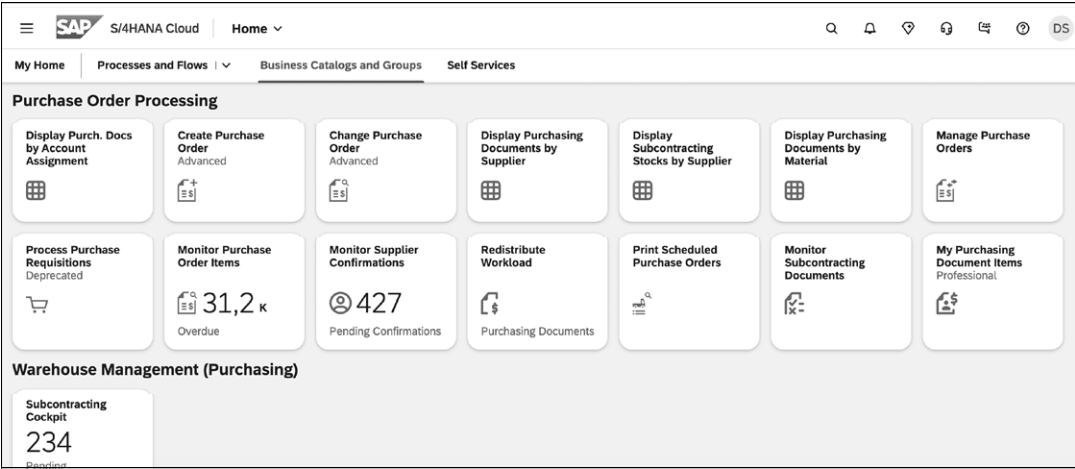


Figure 2.18: SAP S/4HANA Cloud: Sourcing and Procurement Home Page

Numerous innovations related to simplification and speed for self-service procurement in SAP S/4HANA Cloud include one-click ordering, content search, and dynamic filtering. You also have increased flexibility for *shop-on-behalf* features, via which a user can select from a group of users when creating a requisition and order something on their behalf.

Figure 2.18 shows the SAP S/4HANA Cloud sourcing and procurement home page, which provides role-based access to all procurement apps through the SAP Fiori launchpad.

The SAP S/4HANA Cloud workflow leverages the following improvements from previous SAP ERP versions (see an example in Figure 2.19):

- Executing all tasks in a single screen
- Displaying the work items list while processing a single work item
- Using mobile approval, if desired
- Filtering and sorting lists of work items
- Editing requisitions during approval
- A centralized workflow inbox

Figure 2.19: Approval Workflow

Once an order is approved, you can use SAP Business Network. Orders for suppliers not yet registered can still be routed through SAP Business Network. The supplier receives an email with the purchase order from SAP Business Network, along with instructions for registering if they wish to complete the transaction flow using SAP Business Network.

Once the purchase order has been issued, received, acknowledged, and fulfilled by the supplier, if the purchase order settings require a three-way match, you then create a goods or services confirmation. Two key apps in SAP S/4HANA Cloud support goods receipts:

- Post Goods Receipt for Inbound Delivery
- Post Goods Movement

You can also post a goods and service entry sheet using the *lean service* functionality. For example, if you have a supplier managing a conference for your company, providing both materials for both setup and service personnel to coordinate the event, you can now create and confirm a purchase order without separate confirmations for each good or service required. Lean services can be confirmed with the Manage Service Entry Sheet app (ID F2027).

The final area in a procure-to-pay or source-to-pay process is *invoicing*. For invoicing, an accounts payable user has several apps to choose from. To create a supplier invoice, click the corresponding tile (e.g., for the Create Supplier Invoice app) and then enter information into the system, as shown in Figure 2.20.

Figure 2.20: Create Supplier Invoice App

A more efficient way to enter these invoices into SAP S/4HANA Cloud for processing is through SAP Business Network. In the purchase order/invoice collaboration scenario, a supplier can “flip” a purchase order to an invoice, while following buyer-created rules for submitting an invoice. The supplier can submit an invoice that conforms to the rules of SAP S/4HANA Cloud and have this invoice automatically posted in the buyer’s SAP S/4HANA Cloud system. In addition to this type of automation, SAP S/4HANA Cloud supports machine learning and other types of automation.

2.3.3 Central Procurement

Most enterprises do not buy via a single ERP system. Mergers, regional rollouts, and specialized systems leave procurement spread across SAP S/4HANA, older SAP ERP systems, and

even non-SAP backends. The result is familiar: Buyers unknowingly negotiate with the same suppliers in different systems, corporate terms are applied inconsistently, category managers jump between logins to find requisitions and spend, and leadership can't see global contract consumption or risk. SAP S/4HANA Cloud for central procurement solves that problem without forcing a disruptive consolidation. It acts as a hub that connects multiple backend systems, providing one place to see and steer requisitions, purchase orders, contracts, sourcing events, and analytics while execution continues locally.

Figure 2.21 shows an overview of the central procurement process, illustrating how a central procurement hub coordinates purchasing activities across multiple connected ERP systems and legal entities.

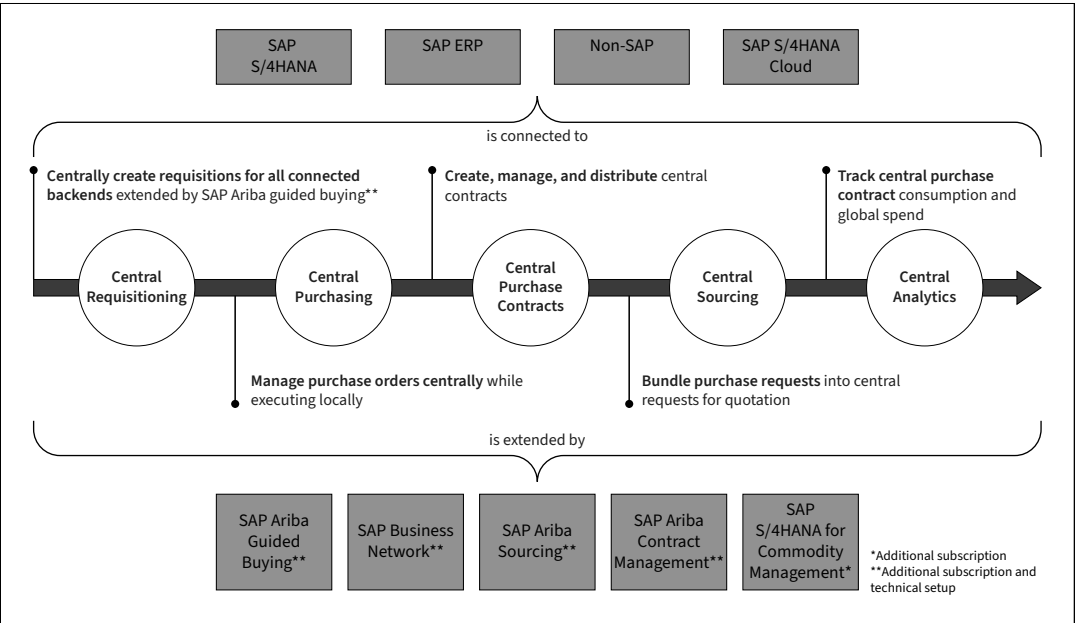


Figure 2.21: Central Procurement Process Overview

In practice, central procurement delivers five capabilities on a single spine. *Central requisitioning* lets you create and approve requests for any connected backend (and if you use SAP Ariba's guided buying feature, you can extend a consumer-grade experience to all requesters). *Central purchasing* gives lead buyers one worklist to process and monitor purchase orders created in the hub but fulfilled in local ERP systems; you can mass-change standard fields with a simulation run to catch errors before release, and an enhanced document flow shows accounting documents for posted invoices so that the payment status is visible at a glance when suppliers ask. *Central purchase contracts* allow category managers to author, distribute, and track global contracts, then push them to local systems for call-off so that negotiated prices and terms actually reach the plant. *Central sourcing* bundles demand into RFQs or sourcing events and can hand off to SAP Ariba Sourcing for large, collaborative bids, with awards flowing back to contracts or purchase orders in SAP S/4HANA. *Central*

analytics closes the loop with a global view of spend, contract consumption, and compliance across all connected systems.

Two design choices make the model effective. First, orchestration rather than replacement: The hub provides policy, visibility, and control, while the connected ERP systems continue to transact, respecting local taxation, languages, and cutover realities. Second, collaboration in context: Chat-like comments on centrally managed requisitions keep conversations attached to the document, and buyers work from a single SAP Fiori inbox instead of email threads and spreadsheets. The governance benefits are immediate: better demand aggregation for negotiations, consistent use of corporate contracts and catalogs, and fewer maverick buys. Operationally, lead buyers gain a single view of requisitions, orders, status, and invoices across the estate; suppliers get faster answers because payment status and document flow are visible centrally; and executives finally see contract utilization and savings realization globally.

When should you use central procurement? Any time you need global control and transparency but must keep transacting in local backends: shared-service procurement, multi-ERP groups, postmerger landscapes, or regions migrating over time. The value story is straightforward: higher contract coverage and compliance, shorter cycle times through mass actions and one-inbox work, stronger negotiating power through demand aggregation, and lower cost to serve because you centralize the brain of procurement without paying for a big-bang ERP consolidation.

2.3.4 Invoice-to-Pay

Invoice-to-pay is the part of the source-to-pay process that begins when a supplier invoice is received and ends when the supplier is paid and the accounting impact is fully recorded. In SAP S/4HANA Cloud Public Edition, this area combines invoice capture, verification, approval, accounts payable processing, payments, bank communication, liquidity management, and analytics into an integrated flow designed to reduce manual effort and improve working capital control.

From an SAP perspective, invoice-to-pay should be understood not as a single transaction but as a controlled sequence of operational and financial activities. The business objective is simple: Pay suppliers accurately and on time while preserving compliance, transparency, and cash discipline.

The process typically begins after procurement has created the commercial commitment and a supplier invoice arrives for settlement. In SAP S/4HANA Cloud, the invoice stage is tightly linked to accounts payable, payment execution, bank communication, and liquidity management so that finance teams can manage both operational control and cash.

Invoice-to-pay is a value driver for finance and procurement because it helps organizations plan and run payments across multiple suppliers and invoices, improve cash forecast accuracy, control cash discounts, and optimize payable processing through automation. SAP

also highlights end-to-end visibility into bank processes, real-time bank communication, payment monitoring, working capital management, and embedded analytics for accounts payable.

In practical terms, this means the process is not limited to posting an invoice. It supports broader finance outcomes such as better supplier relationships, fewer payment inquiries, more reliable closing, stronger liquidity forecasting, and faster exception handling when something goes wrong in bank communication or invoice approval.

Figure 2.22 shows the invoice-to-pay process overview, covering all steps from supplier invoice receipt and validation through to payment execution and cash flow planning.

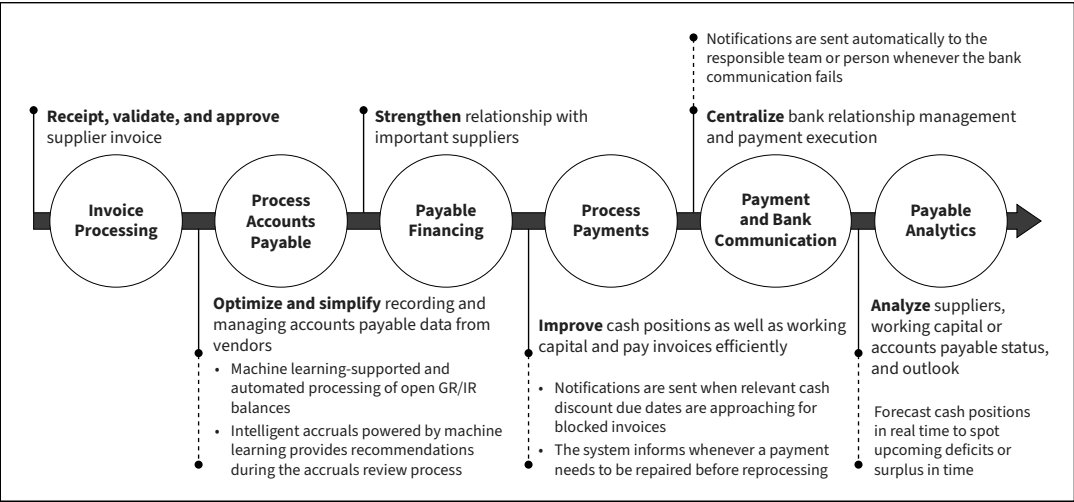


Figure 2.22: Invoice-to-Pay Process Overview

Let's walk through these steps in more detail:

1. Receive and capture the supplier invoice

The process starts when the company receives a supplier invoice, either with a purchase order reference or without one. SAP supports invoice creation or upload, and the material shows that invoices can be digitized from paper into electronic form using machine learning and optical character recognition (OCR), while bots can scan incoming email attachments such as PDF, PNG, and JPEG files and upload them automatically.

This step is especially important in low-touch invoicing scenarios. Instead of relying on manual keying by an accounts payable clerk, the system can centralize invoice intake and reduce repetitive administrative work. SAP Ariba Invoicing extends this further by fully digitizing invoice capture and processing, using embedded OCR, intelligent text processing, and rule-based general ledger account determination for non-purchase order invoices.

Example

A manufacturing company receives 800 supplier invoices per week. About 70 percent arrive as PDF attachments by email and 20 percent are scanned paper invoices from smaller vendors. With low-touch invoicing and OCR-based extraction, the accounts payable team can automatically create invoice records; identify key attributes such as the supplier, invoice number, amount, tax, and due date; and route them into the next verification step with far less manual typing.

2. Verify invoice correctness

After capture, the invoice must pass a verification check to confirm that the document is correct before it can move forward. In SAP terms, this means validating master data, amounts, tax information, account assignment, and—where applicable—matching the invoice against related procurement documents such as purchase orders and goods receipts.

The process becomes particularly powerful when the invoice is purchase-order-based. In that case, the system can compare the supplier invoice against expected quantities and values from the purchase order and the goods receipt. For organizations with large GR/IR balances, SAP provides GR/IR reconciliation capabilities that automate matching, minimize manual interaction, use machine learning for matching logic, and trigger workflows or follow-up actions such as write-offs where appropriate.

Example

A chemical company orders 1,000 valves for a turnaround project. The goods receipt confirms that 980 valves were received. If the supplier invoice is submitted for the full 1,000 units, verification detects the variance. Depending on tolerance settings and business rules, the invoice may be blocked, routed for review, or adjusted before posting.

3. Approve the invoice

Once validated, the invoice moves into ML-supported automation for approval processes and show invoice approval as a distinct step before formal submission to accounts payable. This is critical when invoices exceed threshold amounts, contain exceptions, or require sign-off from cost center owners, budget holders, or procurement managers.

Approval workflows are also a way to balance control with speed. Rather than sending approval requests by email outside the system, SAP S/4HANA Cloud embeds workflow routing and status handling inside the business process. Suppliers can also benefit indirectly because real-time visibility into invoice approval and payment status reduces inquiries and improves collaboration.

Example

A services invoice for external maintenance work is posted against a cost center rather than a purchase order. Because it exceeds the company's approval threshold, the system routes it automatically to the maintenance manager and then to finance. Once both approvers release it, the invoice proceeds to accounts payable posting without manual handoffs.

4. Post to accounts payable

After approval, the invoice is submitted to accounts payable. At this point, the supplier liability is recorded, the relevant expense or inventory postings are created, and the open item becomes part of the payable population to be managed, monitored, and eventually settled.

This is also where broader payable operations come into view. The material highlights controlling open items, embedded analytics in accounts payable, and optimization of payable processing with high automation. In other words, the posted invoice is no longer just a document; it becomes a managed financial obligation that affects working capital, supplier aging, cash forecast, and payment planning.

Example

A life sciences company receives a validated invoice for laboratory supplies worth \$48,000. After posting, the invoice appears in the accounts payable open items list, contributes to the supplier balance, and feeds dashboards such as the accounts payable overview and days payables outstanding for finance monitoring.

5. Plan payments

Once invoices are in accounts payable, the organization plans payment execution. SAP states that users can set up and configure payment proposals to plan payment runs containing multiple payments, business partners, or invoices. This allows treasury and accounts payable teams to balance due dates, payment terms, available liquidity, discount opportunities, and bank execution capacity.

Planning is not merely administrative. It is a working capital decision. The system supports liquidity optimization, working capital management, and improved cash forecast accuracy through seamless integration with cash management. This helps finance decide whether to pay early for discounts, pay on the due date to preserve liquidity, or group payments for operational efficiency.

Example

At month end, a consumer products company has 1,500 approved invoices due over the next 10 days. The accounts payable team creates a payment proposal that groups

domestic automated clearing house (ACH) payments separately from international wire transfers, prioritizes invoices eligible for early-payment discount, and defers non-critical invoices to their exact due dates in line with treasury guidance.

6. Execute payments and bank communication

After planning comes payment execution. SAP describes support for domestic and international payments across multiple business partners, payment methods, and invoices, along with central approval processes and bank transfer management for SAP and non-SAP systems through advanced payment management. The process also includes end-to-end control of bank communication, real-time bank channels, and visibility into bank accounts and related communication.

Bank communication is a crucial part of operational reliability. The system can automatically notify responsible teams when bank communication fails, and it can also alert users when a payment needs repair before reprocessing. These capabilities reduce the risk of silent failures, duplicate payments, or missed due dates.

Example

A multinational company launches a payment run covering suppliers in the United States, Germany, and India. Some payments go through local bank channels, while others use SWIFT. If one payment file is rejected because of invalid bank data, the system flags the exception so that accounts payable can repair and resubmit the payment instead of discovering the issue days later.

7. Manage special scenarios

Invoice-to-pay also includes advanced scenarios beyond standard invoice settlement. SAP highlights *payable financing*, also referred to as *reverse factoring* or *supply chain financing*, which helps secure uninterrupted supply, strengthen supplier relationships, and optimize working capital for both the buyer and supplier through an automated financing process via bank interface.

Authorized personnel can review, verify, approve, reject, or send back a submitted supplier down payment request using dedicated SAP Fiori apps such as Manage Teams and Responsibilities (ID F2412), Manage Workflows (ID F5343), and Verify Supplier Down Payment Requests (ID F7103 or F-47). This is valuable when suppliers require advance funding before delivery, but the company still needs strong internal control.

Example

An automotive supplier asks for a 20 percent down payment before starting production of a custom tool. The accounts payable manager reviews the request, confirms that the contractual terms are valid, and routes it through the down payment verification workflow before payment is released.

8. Analyze and improve performance

The final step is continuous monitoring. SAP points to payable analytics, supplier analysis, accounts payable status and outlook, real-time cash forecasting, working capital analysis, and embedded dashboards such as Accounts Payable Overview, Bank Relationship Overview, and Days Payables Outstanding. These analytics turn the process into a management capability rather than a back-office routine.

The business value is significant. Teams can identify bottlenecks in approval, overdue invoices, discount opportunities, recurring bank issues, and supplier concentration risks. They can also improve close quality through automated purchase order accruals, which defer costs to the correct periods, shorten financial closing, improve external reporting accuracy, and reduce manual effort.

Example

A CFO reviews accounts payable analytics and notices that a cluster of blocked invoices is nearing cash discount deadlines. Because the system sends notifications for approaching due dates on blocked invoices, the team can resolve exceptions quickly and preserve discount savings that would otherwise be lost.

In day-to-day invoice-to-pay, work really lives in SAP Fiori. Accounts payable clerks and approvers move through invoice capture and verification, open-item analysis, and payment runs without leaving the role-based launchpad. For supplier down payments, the flow begins in Manage Teams and Responsibilities – Supplier Down Payment Requests and Manage Workflows – Supplier Down Payment Requests, which establish who is allowed to request and who must approve. Requests are raised and validated in Verify Supplier Down Payment Requests, and approvers act directly from their inbox and outbox—Verify Supplier Down Payments – Approver Inbox and Verify Supplier Down Payments – Approver Outbox—so governance is built into the motion rather than added after the fact. Operational invoices follow the same rhythm with Create Supplier Invoice for direct entry, Upload Supplier Invoice for OCR-assisted capture, and Manage Invoices to resolve holds, match to purchase orders or service entries, and post. Accounts Payable Overview anchors the day, surfacing aging, discounts at risk, blocked items, and duplicate checks; when liquidity timing matters, payment execution apps plan and run the payments, simulate cash impact, and reconcile exceptions.

2.3.5 Insight-to-Action

Chapter 5 covers the embedded AI and analytics capabilities available with SAP S/4HANA Cloud in depth, including AI-driven procurement insights. The procurement analytics capabilities described in this section provide the operational foundation that those AI layers build on. With procurement embedded analytics, you can perform the following tasks:

- Perform real-time operational reporting and monitoring of purchasing document items
- Gain spend visibility into actual and upcoming purchase order and scheduling agreement spend
- Control purchasing spend by monitoring off-contract and nonmanaged spend
- Evaluate supplier performance on various hard facts such as price, quantity, quality, time, and user-defined criteria and provide output options to share the scores with the suppliers
- Monitor process efficiency
- Analyze global spend, central purchase contract consumption, and the price variance in central purchase contract items for SAP S/4HANA Cloud for central procurement

Let's look at some analytical capabilities in procurement:

■ Operational supplier evaluation

Real-time KPIs for operational supplier evaluation, with the **Trend by Supplier** view selected, as shown in Figure 2.23. This KPI aggregates the individual scores from the different criteria—that is, price, time, quantity, and quality—by different dimensions. The corresponding weightings are applied, and the overall score for a given supplier is calculated and can be visualized over time.

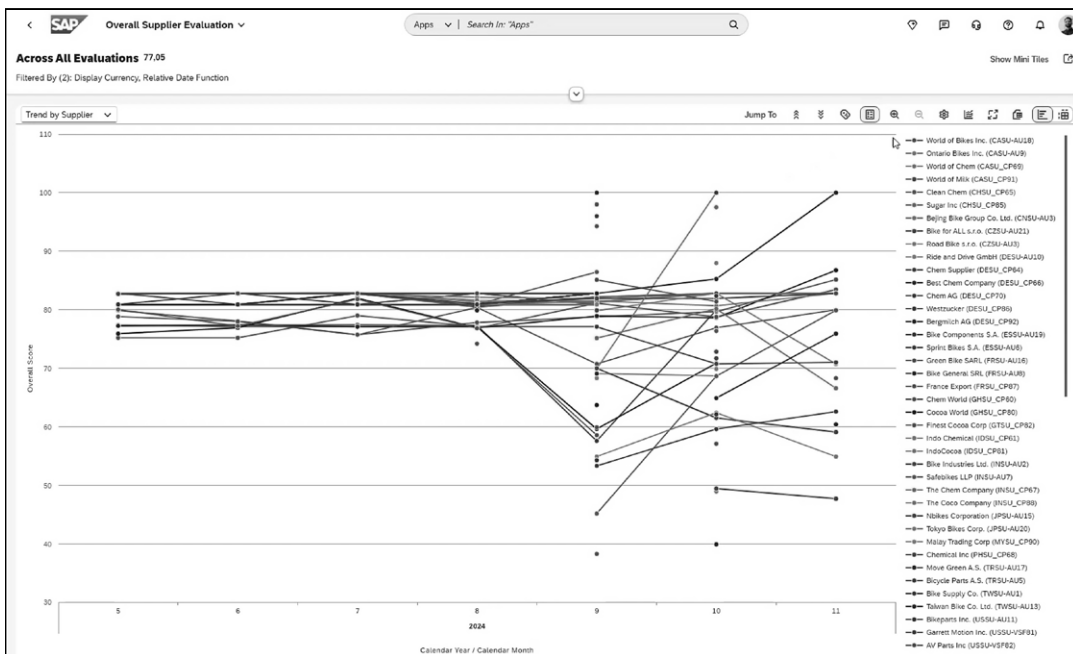


Figure 2.23: Real-Time KPIs for Operational Supplier Evaluation

■ Monitor purchase order items

Monitor purchase order items, to control overdue items and next deliveries. With this functionality, you can display purchase order items and monitor their status using filter criteria such as purchase order, material group, material, supplier, plant, and delivery forecast. The solution also predicts the delivery date of purchase order items and determines whether the delivery will happen earlier than scheduled, on time, or with a delay. Based on the predicted delivery date, a business user can take the necessary actions.

Figure 2.24 shows the Monitor Purchase Order Items app, enabling buyers to track open purchase orders, identify overdue deliveries, and monitor next expected delivery dates.

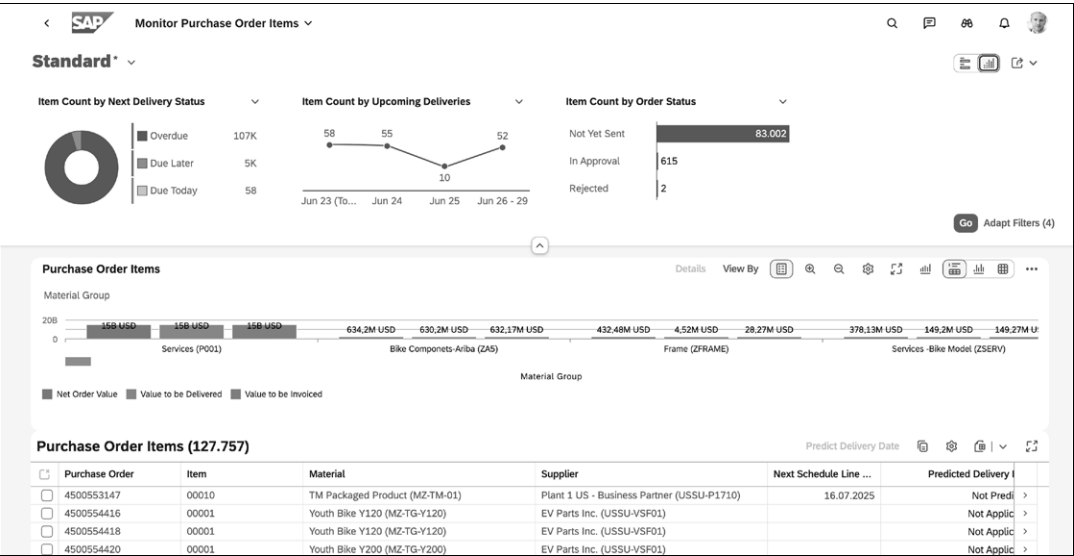


Figure 2.24: Monitor Purchase Order Items App

■ Purchasing spend dashboard

The purchasing spend dashboard (SAP Analytics Cloud, embedded edition dashboard in SAP S/4HANA Cloud), as shown in Figure 2.25, offers your users an overview of purchase spend and off-contract spend in the organization. Prebuilt dashboards support real-time decision-making within the business process. These dashboards can be customized to increase the efficiency and effectiveness of management decisions.

More than 50 analytical procurement apps are predelivered with SAP S/4HANA Cloud and address tasks from the beginning, from posting the first business document to all the transactional applications also accessible from the SAP Fiori launchpad. These apps can be adjusted according to your company's and your end users' needs. Individual selection criteria, thresholds, chart types, or default views are just some examples. Moreover, many analytical views are ready to use in the Custom Analytical Queries app, where you can even adjust the view based on your requirements.

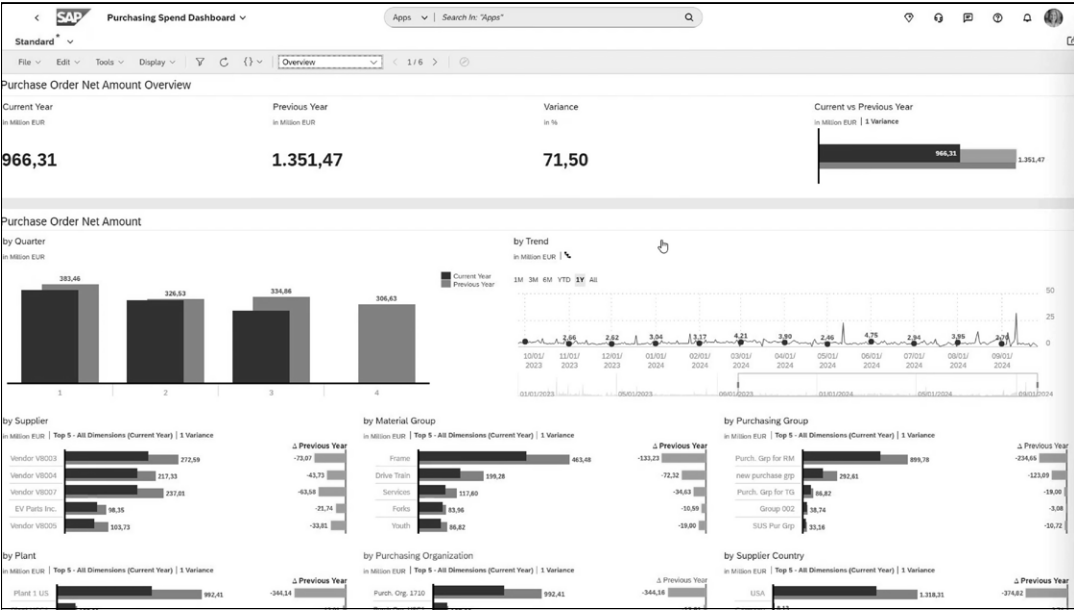


Figure 2.25: Purchasing Spend Dashboard

2.3.6 Public Cloud Versus Private Cloud

A common question from procurement stakeholders is what can be done in one edition that cannot be done in the other. For source-to-pay, the answer is that functional overlap is substantially larger than the gap. Both editions share the same core ABAP code line, and SAP delivers the same process pillars in both: sourcing, procurement contract management, operational procurement, and procurement collaboration. The scope items that power day-to-day procurement, consumable purchasing (BNX), procurement of direct materials (J45), procurement of services (22Z), subcontracting, requisitioning, scheduling agreements in procurement (BMR), supplier evaluation and performance monitoring (SL4), supplier classification and segmentation (19E), consignment AND pipeline procurement, central purchasing (2XT), central sourcing (3ZF), and supplier financing (4AV), are available in both editions. Integration with SAP Ariba Sourcing, SAP Business Network, SAP Ariba Contracts, SAP Ariba Invoicing, and guided buying for central procurement also spans both editions.

That said, meaningful differences do exist. Table 2.2 captures the primary functional divergences identified across the source-to-pay process areas, and the section that follows explains where those differences matter in practice.

Capability	Public Cloud Edition	Private Cloud Edition
<i>Automated invoice settlement (scope item 2LH)</i> Touchless, three-way-match-based invoice posting. The system autosettles invoices against purchase orders and goods receipts without accounts payable clerk intervention, driving straight-through processing rates and reducing the cost per invoice.	Available as a dedicated scope item (2LH) and an automotive variant (5L6). Configured through standard scope item activation; no custom development required.	Not available as a standalone scope item. Invoice processing follows the standard Create Supplier Invoice workflow. Touchless rates are achieved through integration with SAP Ariba Invoicing or the SAP Business Network invoice flip, which require separate setup.
<i>Service entry sheet-based accruals (scope item 63L)</i> Automated accrual posting for unapproved service entry sheets at period-end, with automatic reversal on approval. Eliminates manual accrual entries for open service purchase orders in closing cycles.	Available as a dedicated scope item.	Not available as a scope item version for current on-premise releases. Period-end service accruals are handled through manual or custom accrual processes.
<i>Service and material procurement for project-based services (scope item J13)</i> Integrated procurement of external resources and materials within a professional services project context, linking project demand directly to purchase requisitions and purchase orders.	Available as a cloud-native scope item confirmed in current releases.	Not confirmed as a scope item version for current private cloud/on-premise releases. Project-based procurement is handled through alternative scope items and configuration paths.
<i>SAP Procurement Intelligence</i> Advanced analytics, spend intelligence, and AI-driven procurement insights beyond standard embedded reporting.	Not available as a separate product. Analytics are delivered through more than 50 predelivered procurement SAP Fiori apps and embedded SAP Analytics Cloud dashboards (e.g., Purchasing Spend Dashboard, Supplier Evaluation KPIs).	Available as a dedicated add-on product: SAP S/4HANA Cloud Private Edition, Procurement Intelligence. Provides advanced spend analytics and AI-driven procurement insights as an optional licensed add-on.

Table 2.2: Functional Differences in Source-to-Pay: Public Cloud Edition Versus Private Cloud Edition

Capability	Public Cloud Edition	Private Cloud Edition
User interface Access to procurement transactions.	SAP Fiori exclusively. No access to SAP GUI transaction codes (Transactions ME21N, ME51N, MIRO, ME23N, MRBR, and similar). All procurement—purchase order creation, goods receipt, invoice entry, and approval—runs through SAP Fiori apps.	SAP Fiori plus full SAP GUI. Procurement users can use classic transactions alongside SAP Fiori apps. This supports organizations midway through a UX migration from SAP ERP.
Custom procurement logic. Ability to extend or modify standard procurement behavior.	Restricted to standard extensibility framework: custom fields on purchasing documents via the Custom Fields and Custom Logic apps, released OData/SOAP APIs, and side-by-side extensions on SAP BTP. Custom ABAP modifications to the procurement code path are not permitted.	Full ABAP environment available. Custom pricing procedures, bespoke approval workflows beyond standard configuration, user exits, and CDS-based custom procurement reports can be implemented. SAP recommends ABAP Cloud (restricted language version) to protect upgrade stability, but classic custom code remains an option where released APIs do not yet cover the requirement.

Table 2.2: Functional Differences in Source-to-Pay: Public Cloud Edition Versus Private Cloud Edition (Cont.)

For organizations running standard procurement processes, creating purchase orders, processing invoices with three-way match, managing contracts, running sourcing events through SAP Ariba, and collaborating with suppliers via SAP Business Network, both editions deliver functionally equivalent outcomes. The choice between editions is rarely driven by a missing procurement transaction.

The differences matter most in two scenarios. First, organizations that require high-volume, touchless invoice processing will find the public cloud edition more immediately capable through the Automated Invoice Settlement scope items (2LH, 5L6), which activate straight-through processing with no custom development. Private cloud customers achieve comparable results through SAP Central Invoice Management integration or the SAP Business Network invoice flip, but with additional setup effort. Second, organizations with complex custom procurement logic, such as nonstandard pricing, industry-specific approval chains, or proprietary supplier rating algorithms inherited from a prior SAP ERP landscape, require the private cloud edition as it permits the custom ABAP development that the public cloud edition does not allow. The availability of SAP Procurement Intelligence as a licensed add-on is an additional factor to consider for private cloud customers who need analytics capabilities beyond what the standard embedded apps provide.

2.3.7 Outcome

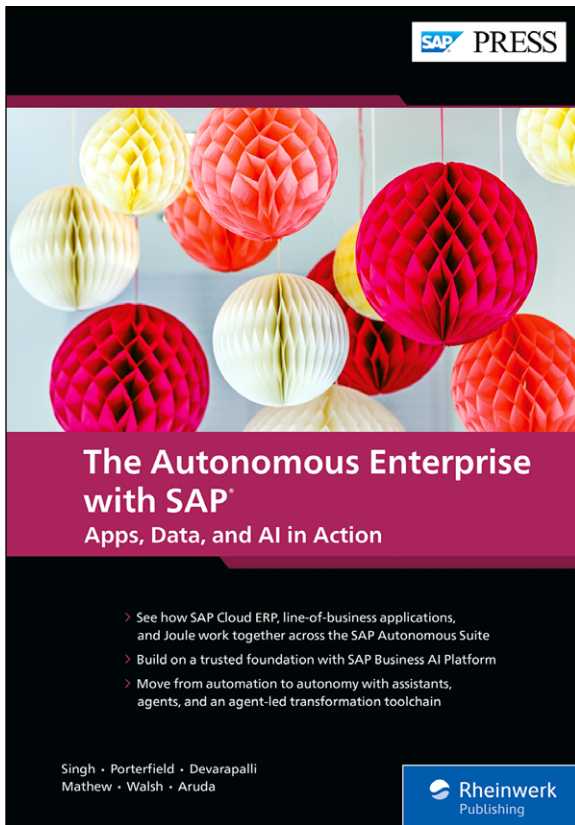
James, Korindal's chief supply chain officer (CSCO), carries a \$30 million annual penalty from missed deliveries. Most of that cost does not originate in manufacturing or logistics. It originates in procurement: The wrong supplier confirmed the wrong delivery date, or a sourcing event ran three weeks because bids were compared in spreadsheets instead of in the system. The capabilities in this section address that gap directly. When sourcing events, contracts, and operational procurement run on a unified spine, the gap between the negotiated price and actual spend closes. Maverick buying drops because guided purchasing surfaces the right catalog item or approved supplier before a requisition leaves the system. Three-way match removes the manual reconciliation that delays payment and strains supplier relationships. For James, the most visible change is in supplier delivery predictability. AI-assisted supplier evaluation surfaces performance trends before they become delivery failures. Predictive lead-time models flag delayed deliveries three to five days in advance, giving the procurement team time to expedite or arrange alternatives. Production schedule disruptions from late supplier receipts fall by approximately 30 percent within the first planning cycle after deployment. The OTIF number begins to move because procurement stops feeding exceptions into the fulfillment chain.

2.4 Production Planning and Manufacturing

Plan-to-fulfill is the end-to-end orchestration that turns commercial intent into reliable promise and execution. In SAP S/4HANA Cloud, it spans three linked motions: plan and schedule what must be produced and procured, manufacture and control on the line with quality built in, and store and transport finished goods to customers. When this loop runs well, service levels rise, the need to expedite falls, and inventory stops growing just to protect against uncertainty.

Figure 2.26 shows the end-to-end plan-to-fulfill flow in SAP Cloud ERP across three motions: plan and schedule, manufacture and control, and store and transport. It starts with strategy and demand capture, runs material requirements planning (MRP), procures components, and schedules production; then stages components, builds subassemblies, and builds final assemblies with confirmation and inspection; and finishes by planning transportation, creating the outbound delivery, picking/packing/loading, posting goods issue, monitoring the shipment, and settling charges. In short, it visualizes how SAP S/4HANA Cloud turns policy and demand into finished goods delivered to the customer in one integrated loop.

At the front of the loop, planners translate strategy into practical rules. Product and customer segments receive clear policies for make or buy, sourcing mix, and where buffers belong. In SAP S/4HANA Cloud, these choices become parameters: plants and MRP areas, source lists and quota arrangements, special procurement for stock transfers or subcontracting, planning calendars, and realistic lead times. Demand baselines and consumption rules drive replenishment for steady items, while demand-driven replenishment protects volatile flows at decoupling points. MRP Live provides the heartbeat, turning plans and



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