

Liquidity planning in heterogeneous system landscapes

As interest rates rise and the economy slows down, liquidity planning is once again becoming a key focus for companies. For corporate treasury units in particular, the challenge is to know and effectively manage their liquidity positions to ensure financial stability. After all, solid liquidity planning is an important part of a company's profile when dealing with external lenders.

The ideal scenario would be for the treasury department to have a fully integrated, homogeneous system landscape with clean interfaces to accounting and controlling. The reality, however, is that most companies operate with a historically evolved and heterogeneous system landscape. Also, with a brief spike during the Covid pandemic, liquidity planning has not always been a major focus in recent years and accordingly was often neglected in process and system developments. When faced with the status quo, liquidity planning proves to be a cumbersome topic:

1. Well-defined planning categories are needed to structure the outlook for the future in line with treasury.
2. When it comes to categorizing the actual cash flows with regard to these forecasted items and mapping them, Treasury generally requires data from the ERP system.
3. Forecasting as such should reflect seasonal factors or the influence of external factors.
4. Considerable manual effort is usually required to prepare the planning and collect the actual figures.
5. A heterogeneous system landscape and the concurrent use of several different tools are very often common features of the ecosystem and constitute an operational challenge.

This often results in companies having inaccurate planning that does not allow for an adequate basis for managing liquidity.

The multitude of technical and process interfaces to adjacent systems and areas such as controlling and accounting are a frequent obstacle to improving liquidity planning, given that the right starting point for improvement is simply not clear.

Unlike in the case of a fully integrated solution, not all information is available at any point in a heterogeneous system landscape. As such, affected companies have to come to terms with incomplete data and insufficient data quality: Customer/vendor data is not (always) maintained in a standardized way, document information for cash flow mapping is missing, foreign currency conversions are not available across the board, bulk payment files can no longer be split into their components, etc.

What can Treasury do about this situation?

In many cases, there is no time, budget, or patience to set up a fully integrated planning solution, i.e., the necessary prioritization within the company. On top of this, it is often not expedient to question the entire system and process architecture in Treasury "just" because of liquidity planning.

Using BI software is a far more flexible solution. They have become powerful data analysis and automation platforms that help companies tackle complex data challenges. When it comes to liquidity planning, they offer a number of advantages:

- 1. Data integration:** These platforms facilitate the seamless integration of data from different sources, regardless of format or structure. That is key for heterogeneous data sources such as ERP systems, bank data, payment processing and more.
- 2. Data cleansing and preparation:** Data analysis and automation platforms feature powerful data cleansing and preparation functions. This includes removing duplicates, correcting errors, standardizing data formats and merging data sets. Cleansing and preparing data significantly improve the quality and accuracy of liquidity planning results.
- 3. Process automation:** These solutions can automate recurring tasks and processes related to liquidity planning. Not only does this reduce manual effort, but it also minimizes the risk of human error and makes it possible to react more quickly to changes in the liquidity situation.
- 4. Advanced analytics:** As a rule, BI software offer a variety of analysis tools that can help companies pinpoint complex patterns and trends in their liquidity data. Leveraging these tools allows companies to make more informed decisions and improve their risk management.
- 5. Scalability and flexibility:** These platforms are scalable and flexible, giving companies the ability to customize and expand their liquidity planning processes as needed. Such flexibility is particularly important for companies operating in a dynamic business environment that need to adapt quickly to changing market conditions.
 - This allows additional data sources to be easily connected or existing ones to be switched off at a later date.
 - Analytics and visualizations can be adapted to current requirements.
 - It is also possible to adapt data exports if the process-related framework conditions change.

Overall, advanced analytics platforms give companies a means of optimizing their liquidity planning processes, improving data quality and making more informed decisions.

Often, an internal or external partner is required to assist with the technical onboarding of the Treasury and thus ensure sustainable further development.

To make liquidity planning as efficient as possible in heterogeneous environments, a holistic view of the system landscape, the smart integration of software and the promotion of cross-departmental collaboration are crucial. These form the basis for forward-looking corporate liquidity management.

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