

FINANCIAL STRATEGY AS A KEY TO BUSINESS SUSTAINABILITY

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Abstract

Good financial strategy is the key to sustainability in business. By carefully planning, managing and monitoring finances, businesses can secure their future and grow sustainably. In managing business financial strategies to achieve long-term success, there are several important strategies that need to be considered. A key component of managing the sustainability of an organization is financial strategy. Financial strategy and the organization have a number of interactions that should be taken into account. These relationships include managing stakeholder relationships, making investment decisions, controlling costs, tax planning, and the impact of financial decisions on the performance and value of the business. Businesses can cut wasteful expenses and boost revenues by controlling costs well. In this article, the researcher examines the method in the form of library research, namely research in its implementation by reviewing reading various literary sources, such as books related to financial strategy as the key to business sustainability, journals that have been searched for, and other articles for additional data sources. This research discusses the definition of financial strategy, factors that influence business sustainability, the role of financial strategy in achieving business sustainability, and the relationship between financial strategy and business sustainability.

Keywords: Financial strategy, key to business sustainability

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INTRODUCTION

In an ever-changing business world, having a sustainable business is not just an option, but a necessity. The basic principles of building a sustainable business are the key to creating a business that can last a long time and achieve sustainable success. In Jasiyah & Sujana's (2024) research, wise financial management is a basic principle that should not be ignored. Make sure business people have good control over business cash flow and manage finances intelligently. Invest wisely and make a long-term financial plan.

Effective financial strategy is not just about managing the numbers; it is a strategic roadmap that guides a business towards business success and sustainability. Short-term financial planning involves allocating resources efficiently to address immediate needs. By managing cash flow effectively, businesses can carry out daily operations with ease and flexibility. Identifying and addressing short-term financial risks is key. A solid financial plan helps in mitigating risks, ensuring that unexpected challenges do not disrupt the daily operations of the business (Godwin-Opara, 2016).

Lo & Liao (2021) state that with a solid short-term financial plan, businesses can take advantage of unexpected opportunities, such as favorable market conditions or strategic partnerships, that arise in a rapidly changing business environment. Long-term financial planning matches financial goals with in-depth business strategy. It provides a framework for achieving milestones, expansion and sustainable profitability. Strategic investment and wealth management is an integral part of long-term planning. Businesses can accumulate wealth and preserve it for future generations by making informed financial decisions.

A well-thought-out long-term financial plan takes into account market trends and potential disruptions. These insights enable businesses to proactively adapt to change, ensuring continuity and resilience. Businesspeople should view financial planning as an investment in the long term and success of their business. Financial plans provide a data-based foundation for decision making. Businesspeople can make choices based on financial insight, promoting stability and growth. Investors look for businesses with clear and sustainable financial plans. Demonstrating commitment to financial planning increases investor confidence, attracting funding and potential partnerships. For family-owned businesses, long-term financial planning is essential in creating a legacy. This ensures a smooth transition of ownership and maintains business values through generations (Karlsson, 2019).

One of the most important factors in growing a business to be larger and more sustainable is having a sound financial plan. Good products and services are not the only thing that make a firm successful; effective and smart financial management is also necessary. A corporation that has good financial management is better able to deploy resources, reduce debt, boost liquidity, and make strategic business decisions. Effective financial management also helps businesses handle unforeseen financial obstacles such as shifting markets, volatile prices, and fierce competition.

Managing a company's finances well will create chances for speedier growth and market expansion. Businesses can grow, establish additional branches, and even look into international business opportunities by monitoring cash flow, managing costs, and making the most use of their financial resources. The chance to grow a larger firm is quite promising in this globalized period, and prudent financial management is a crucial first step toward long-term success (Smith, 2014).

Every sustainable business starts with having a clear vision of what the business wants to achieve. This vision is a big picture of the direction our business will take. Besides that, the mission is a guide that guides how to achieve the vision. Building a sustainable business also involves identifying core values that will form the basis of our business operations. These values will help business people in making decisions and acting consistently in accordance with the goals they have set (Thammatucharee, 2011).

A wise financial management strategy is a basic principle that should not be ignored. Make sure we have good control over business cash flow and manage finances smartly. Invest wisely and make a long-term financial plan (Brandouy et al, 2014).

RESEARCH METHOD

In this article, the researcher examines the method in the form of library research, namely research in its implementation by reviewing reading various literary sources, such as books related to financial strategy as the key to business sustainability, journals that have been searched for, and other articles for additional data sources. Therefore, data collection is carried out in the form of searching for books in the library or searching via social media. to obtain and search for definitions and material in the form of understanding related to financial strategy as the key to business sustainability.

RESULT AND DISCUSSION

Definition of Financial Strategy

The acquisition and application of capital are at the heart of business financial strategy. Its main goal is to provide a steady and sufficient flow of capital to meet the demands of businesses both now and in the future. Financial resources, cost structure analysis, prospective profit estimation, accounting functions, and other topics are all covered under financial strategy. Financial strategy, to put it briefly, is concerned with the origins, uses, and management of money. In order to obtain strategic benefits, this approach focuses on coordinating financial management with the corporate and business goals of the company (Карбівський, В. Л, 2023).

Thomas Wheelen and David Hunger (2018) claim that financial strategy determines the optimal financial course of action by analyzing the financial effects of corporate and business level strategic options. A competitive edge can also be gained through financial tactics by lowering funding costs and offering flexible ways to raise money to support business plans. The general goal of financial strategy is to increase a company's worth.

The goal of financial strategy is to increase the financial worth of the business. A competitive advantage can be obtained through financial methods that lower the cost of capital. The achievement of the intended debt-to-equity ratio in any financial plan through internal cash flow generation and long-term borrowing is crucial. Research indicates that elevated debt levels correlate with enhanced cash flow and productivity. Research indicates that financial strategies are mostly influenced by diversification techniques. According to Myres (1984), debt financing is recommended for unrelated diversification while equity financing is preferred for connected diversification.

In preparing a financial strategy, companies must consider all components related to expenses and income. Starting from creating indicators of goal success, measuring available resources, identifying needs that support achieving goals, and maximizing capital utilization. A company needs a financial strategy. The following is an explanation of the function of company financial strategy according to Pires et al (2015).

1. Planning Expenditures

The first function of a company's financial strategy is planning expenses. With financial tips, the company will not over-utilize existing capital. Because the company will prepare a spending plan according to needs.

2. Distributing assets effectively

Not only does it function in planning expenses, the company's financial strategy is also useful in distributing assets effectively. With a financial strategy, the company will know the appropriate financial allocation for each division, so that the company's operations can run effectively and efficiently.

3. Analyze and Manage Risk

The next function of a company's financial strategy is to analyze and manage risk. In fact, every business has its own financial profile. Through preparing a financial strategy, we can estimate what risks could potentially befall the company according to its financial profile.

4. Document Outgoing - Incoming Money

Next, the function of a company's financial strategy is to document money coming in and out. The most important thing in managing company finances is recording every transaction that occurs. When recording is done properly and completely, the company will have a valid basis when making strategic decisions, so that the analysis will not be wrong.

5. Shows Projected Future Asset Growth

The function of a company's financial strategy is to be able to show projections of future asset growth. Based on planning, implementation and evaluation of the strategies that have been prepared, the company will be able to see the estimated position of the company in the future. This can give the company an idea regarding the next steps and decisions.

According to Vousinas (2019), financial strategies have various types, including planning, budgeting, risk mitigation, wealth distribution and financial reporting.

1. Planning

The first type of company financial strategy is planning, including expenditure allocation, income targets, profit achievement, and obtaining capital if necessary. The financial planning process is one of the crucial activities that companies must carry out every few periods.

2. Budgeting

After going through planning, the next type of financial strategy is budgeting, namely the process of allocating funding to important company sectors. When budgeting, the finance division is required to consider various things, such as the basic needs of the division, the impact of allocation on strategy, and the company's financial condition.

3. Risk Mitigation

The third type of financial strategy that is no less important is risk mitigation. The finance division is obliged to understand the risks related to finance in the future, both internal and external risks. In the mitigation process, the finance division is also required to prepare a solution plan when a risk actually occurs.

4. Distribution of Wealth

The fourth type of financial strategy is wealth distribution, or also called investment. Apart from being a financial supervisor and recorder, the finance division also needs to be an investment manager for the business. So that company assets do not accumulate in vain or experience depreciation, the finance division is required to create an investment strategy every once in a while.

5. Financial Reporting

Lastly, the type of company financial strategy is financial reporting. All processes and results of company decisions up to the occurrence of expenditure and income transactions must be reported. Apart from being a basis for decision making, financial reports are also needed to maintain public trust in the company.

Factors that Influence Business Sustainability

Success is indeed the main goal for every business, but sustainability is the key to maintaining long-term existence and growth. Therefore, it is important for you as a business owner to not only focus on achieving momentary success, but also prioritize steps that support sustainability (Hernandez, 2016).

There are a number of important factors that have a significant impact on business sustainability according to Kitsios et al (2020), including:

1. Value Offered

Business sustainability and growth are closely related to the value provided to clients or customers. Demonstrating this value early in the relationship not only ensures future loyalty, but also has the potential to increase leads through word-of-mouth referrals.

2. Customer Satisfaction

Business sustainability is substantially closely related to the level of client satisfaction. This process involves several key elements, including providing an exceptional experience, continuous innovation in products or services, and effective customer service management.

3. Focus on Customers

A business that achieves long-term success can be identified by its dedication to continuously serving and solving customer problems. This is the main key to achieving sustainable growth and success.

4. Knowledge of Customer Needs

Loyal customers create a stable income base which is the main driver for business sustainability. Meanwhile, new customers bring growth potential through customer base expansion. Careful analysis of customer needs is at the heart of a successful business strategy.

5. Openness to New Ideas

An inclusive business structure plays a role in creating a conducive platform for innovation. By building a culture that encourages the exchange of thoughts and ideas, businesses pave the way for positive change as an important foundation for sustainability.

6. Financial Management

Wise financial management is an important foundation for business sustainability. The accuracy of financial reports allows businesses to identify trends, measure performance and design informed development strategies. While thorough business analysis helps in decision making, identifying efficiency opportunities, and managing financial risks.

7. Adaptation, Collaboration and Innovation

Business sustainability requires the ability to adapt to a dynamic environment. While innovation allows businesses to stay relevant and competitive in a rapidly changing market. Meanwhile collaboration, whether in the form of industry partnerships or customer relationships, opens the door to shared knowledge and resource experiences.

Through the implementation of the various aspects above, it has formed the resilience that is very necessary to navigate the changing dynamics of the market. In this way, your business will not only be able to survive, but will also be able to continue to grow and take steps towards long-term success.

The Role of Financial Strategy in Achieving Business Sustainability

A strong financial management plan is the cornerstone of a sustainable business. This goes beyond simply keeping track of earnings and outlays; it also entails prudent money management in order to meet long-term objectives. It is impossible to overlook the significance of financial management techniques in business (Ullah et al, 2022).

First of all, a good financial strategy helps businesses to avoid potentially devastating financial crises. By planning and managing cash flow well, businesses can overcome financial challenges that may arise, such as decreased revenue or unexpected costs. Additionally, a solid financial management strategy allows businesses to invest intelligently in future growth. By saving and allocating funds wisely, businesses can develop new products, expand market share, or upgrade their infrastructure to support long-term growth.

A good financial strategy also helps businesses to minimize financial risks. By regularly monitoring and analyzing financial performance, businesses can identify areas where they can reduce costs or improve operational efficiency (Al Breiki & Nobanee, 2019).

In addition, effective financial management strengthens the trust of stakeholders such as investors, creditors and customers. When businesses demonstrate openness and stability in their financial management, this improves their reputation in the eyes of stakeholders and strengthens business relationships (Danso et al, 2019).

In conclusion, a good financial strategy is the key to sustainability in business. By carefully planning, managing and monitoring finances, businesses can secure their future and grow sustainably. In managing business financial strategies to achieve long-term success, there are several important strategies that need to be considered (Al Muhairi & Nobanee, 2019). First, it is important to create a realistic and detailed budget. This budget must include all expenses and income, as well as allocation of funds for immediate needs and future investments. By having a clear budget, a business can manage its money more effectively and identify areas where savings can be made.

Furthermore, income diversification is also an important step in managing business finances. By having multiple sources of income, businesses can reduce the risk of losing revenue if one source experiences problems. This can be done by offering various products or services, exploring new markets, or looking for collaboration opportunities with other business partners. Additionally, maintaining inventory control and efficient inventory management is also very important. Inventory that is too large can erode profits and tie up capital that should be used for other investments. Conversely, inventory that is too small can lead to lost customers due to low product availability. Therefore, monitoring and managing inventory efficiently is essential.

In the next steps to a good business financial strategy, it is important to continue to monitor and evaluate financial performance regularly. This allows

businesses to identify trends and patterns that may be affecting their financial health, so they can take appropriate action. Additionally, investing in education and training to increase understanding of finance and business management can also help strengthen a business's foundation for long-term success. By implementing these strategies consistently, businesses can increase their financial stability and better achieve their long-term goals.

When it comes to overseeing the business's finances, financial strategy is crucial. Cost control, tax planning, investment decision-making, managing relationships with stakeholders, and the impact of financial decisions on business performance and value are a few relationships between financial strategy and the organization that must be taken into account (Gomez-Bezarez et al, 2017). Businesses can cut wasteful expenses and boost revenues by controlling costs well. Tax planning allows businesses to minimize their tax obligations while boosting revenue. Businesses can minimize investment returns and prevent needless losses by making wise investment selections. Businesses may preserve their sustainability and establish a positive reputation by managing positive connections with their stakeholders. Additionally, businesses may make the best financial decisions to boost long-term performance and value by having a solid understanding of the relationship between financial actions and these factors. Consequently, in order for managers and other business executives to make the best choices and meet the company's financial objectives, they must possess a solid understanding of financial management. The significance of financial strategy in business sustainability is significant, and business sustainability requires a solid grasp of financial management techniques and strategies.

The Relationship between Financial Strategy and Business Sustainability

Basically, business financial strategy is about how a company manages its money. This includes everything from recording income and expenses to long-term investment planning. Understanding the basics of business finance is critical to a company's long-term success. Business financial strategy involves the management and arrangement of funds within a business entity. This includes various things, such as planning, collecting, spending and controlling company funds (Poursoleyman et al, 2022). More than just counting money, business finance also involves a deep understanding of how financial decision making will impact the overall health and growth of the business.

A strong understanding of financial strategy enables business owners and managers to make intelligent decisions about how to use their financial

resources. By understanding cash flow, profitability, and financial risk, business stakeholders can take appropriate steps to manage risk, maximize profitability, and achieve business sustainability goals.

In practice, financial strategy often involves preparing budgets, analyzing financial statements, managing debt and capital, and developing investment strategies. All of this aims to achieve financial stability and sustainable business sustainability. By understanding the basics of business finance, business owners can build a solid foundation to manage their finances well, face challenges, and achieve long-term success (Albatayneh, 2014).

An effective financial strategy is the main key in ensuring sustainable business success. One of the important elements in this strategy is budgeting and financial planning. A budget is a financial plan that describes a business's income and expenses over a certain period of time. The importance of budgets in business cannot be underestimated because they have several vital benefits. The importance of budgets in business according to Cantele & Zardini (2018), namely:

1. **Controlling Expenditures:** Budgets help businesses to control expenses by mapping out the amount of money earmarked for each activity. In this way, companies can identify areas where overspending is occurring and take necessary action.
2. **Financial Planning:** By having a clear budget, businesses can plan future activities and investments. This allows companies to efficiently allocate funds to specific goals such as expansion, research and development, or debt repayment.
3. **Performance Evaluation:** Budgets allow companies to compare actual performance with previously made estimates. By monitoring the difference between actual income and expenses and the budget, management can evaluate financial performance and take corrective action if necessary.
4. **Securing Funds:** Budgets help companies to set aside funds for urgent needs or difficult times in the future. By planning expenses and saving regularly, businesses can avoid liquidity problems and ensure the continuity of their operations.

In managing business financial strategies, a solid management strategy is the key to improving performance and maintaining sustainability. One important aspect of this strategy is accurate financial recording. Good financial recording provides a clear understanding of the company's cash flow and financial condition.

CONCLUSION

Effective financial strategy is not just about managing the numbers; it is a strategic roadmap that guides a business towards business success and sustainability. Every sustainable business starts with having a clear vision of what the business wants to achieve. This vision is a big picture of the direction our business will take. Besides that, the mission is a guide that guides how to achieve the vision. Building a sustainable business also involves identifying core values that will form the basis of our business operations. These values will help business people make decisions and act consistently in accordance with the goals they have set.

Good financial strategy is the key to sustainability in business. By carefully planning, managing and monitoring finances, businesses can secure their future and grow sustainably. In managing business financial strategies to achieve long-term success, there are several important strategies that need to be considered. First, it is important to create a realistic and detailed budget. This budget must include all expenses and income, as well as allocation of funds for immediate needs and future investments. By having a clear budget, a business can manage its money more effectively and identify areas where savings can be made.

There are a number of important factors that have a significant impact on business sustainability, including:

1. Value Offered
2. Customer Satisfaction
3. Focus on Customers
4. Knowledge of Customer Needs
5. Openness to New Ideas
6. Financial Management
7. Adaptation, Collaboration and Innovation

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