

FINANCIAL STRATEGIES TO INCREASE BUSINESS SUSTAINABILITY

Adi Mursalin *¹

Universitas Panca Bhakti Pontianak, Indonesia
adimursalin@upb.ac.id

Naiyun Untung Utama

Universitas Panca Bhakti, Pontianak, Indonesia
naiyununtungutama@gmail.com

Antoni

Universitas Wijaya Putra, Indonesia
antoniderasap@gmail.com

Abstract

A good business financial strategy is one of the main keys to developing a business to be bigger and more sustainable. A successful business not only depends on quality products or services, but also requires efficient and strategic financial management. When business finances are well managed, companies can allocate funds wisely, avoid excessive debt, increase liquidity, and make sound business decisions. By implementing appropriate financial management strategies, businesses can improve their performance, maintain financial stability, and ensure long-term sustainability. That's why understanding and applying these principles is so important to business success. The method used in this article is a literature review. Literature studies can be obtained from various sources, including journals, books, the internet and libraries. This research discusses the definition of business sustainability, the role of financial strategy in business sustainability, and the success of financial strategy in increasing business sustainability.

Keywords: Financial strategy, business sustainability

INTRODUCTION

There are many important factors that influence the success of a business, one of which is financial strategy. Basically, finance is the basis for company operations which must be managed well through financial management. Financial strategy is an activity that includes planning, budgeting, auditing, managing, controlling, searching and storing funds owned by the company. For the sake of smooth and sustainable business in the long term, careful financial management is required (Joseph Alexander, 2017).

¹ Correspondence author.

A good business financial strategy is one of the main keys to developing a business to be bigger and more sustainable. A successful business does not only depend on quality products or services, but also requires efficient and strategic financial management. When business finances are well managed, a company can allocate funds wisely, avoid excessive debt, increase liquidity, and make sound business decisions. Managing business finances effectively also helps companies face economic challenges that may arise, such as market changes, price fluctuations, and intense competition. Success in managing business finances will open up opportunities for faster growth and expansion into new markets. By tracking cash flow, controlling expenses, and optimizing financial resources, businesses can expand operations, open new branches, or even explore international business opportunities. In this era of globalization, the opportunity to develop a bigger business is very potential, and managing business finances wisely is an important first step to achieving long-term success (Enríquez-Díaz et al, 2021).

Financial strategy is one of the pillars of a business. Without a properly managed financial strategy, your business income and expenses will be difficult to control, which can lead to losses. Through financial strategies, we can monitor how much business income and operational costs are as a basis for making wiser short-term and long-term financial decisions. That's why a financial strategy is very necessary to manage a business budget properly. On a large business scale, companies need an expert financial manager to manage fund acquisition, fund use activities, and asset management.

Implementing financial strategies can help us prevent increased expenses, achieve financial goals, minimize financial risks, mobilize finances, ensure company survival, and help make financial decisions. One of the main strategies in business financial management is careful budget planning. By creating a realistic budget, companies can control expenses, prevent waste, and increase the efficiency of using funds. Apart from that, financial risk management is also important to protect companies from market fluctuations and unexpected events that can affect cash flow (Han & Kim, 2019).

An effective financial strategy also involves continuous monitoring and evaluation of a company's financial performance. This makes it possible to identify areas where improvement is needed and take appropriate action to improve overall financial performance. By implementing solid financial management strategies, businesses can not only survive in a competitive market but also grow and develop sustainably. This is an important step for the long-term success of the company (Menne et al, I. 2022).

This research aims to explain financial strategies that can help businesses improve business sustainability. Financial strategy is the core of overall business operations, which includes managing funds efficiently to achieve company goals. One of the main strategies is managing cash flow well. Businesses need to ensure that income is greater than expenses to avoid liquidity problems. This can be done by making realistic income and cost estimates, and managing bills and receivables efficiently.

Additionally, it is important to have a clear long-term financial plan. This includes setting long-term financial goals, such as paying down debt, investing in new product development, or business expansion, and creating strategies to achieve them. Lastly, it is important to consider environmental and social factors in financial decision making. Socially and environmentally responsible businesses tend to receive greater support from society and can build a strong reputation in the long term.

Financial problems are a fact that business people must face. Especially for start-ups and small businesses that are prone to financial problems. Keeping a business running is not an easy matter. From attracting customers, to marketing, and managing inventory, there's a lot to keep track of even without taking into account the ups and downs of the economy or outside influences.

One of the financial problems that companies often face is cash flow problems. Even though a company may have good profits, cash flow problems can cause difficulty in meeting day-to-day financial obligations. For example, slow billing from customers or late payments from business partners can cause a significant decrease in cash. As a result, companies may experience difficulty in paying employee salaries, paying bills, or meeting other operational needs. Apart from that, debt problems are also a problem that often occurs. When companies rely too much on external funding such as bank loans or bond issuance, they can become trapped in excessive debt burdens. If companies cannot manage their debt well, this can lead to heavy interest payments and debt installments, reduce liquidity, and damage the company's image in the eyes of creditors and investors (Puaschunder, 2018).

Another problem is poor working capital management. Working capital refers to the financial resources a company uses to run its daily operations. If companies are unable to manage working capital efficiently, they may experience a lack of funds to purchase inventory, pay salaries, or meet other business needs. This can have a negative impact on company operations and hinder long-term business growth. Apart from that, the lack of effective financial planning can also be a problem that companies often face. Without

thorough financial planning, a company may be unable to anticipate future financial needs, deal with unexpected risks, or take advantage of emerging business opportunities. Inability to plan finances properly can lead to long-term financial instability and hinder company growth. In dealing with this, it is important for companies to have the right strategies and policies. First, companies must ensure that they have competent and experienced financial management. Effective management can help identify and resolve financial problems quickly and efficiently. Apart from that, companies must also carry out regular financial planning and monitor their cash flow and financial position carefully (Müller & Pflieger, 2014)

Financial problems are challenges that companies often face. Cash flow problems, debt, poor working capital management, and lack of effective financial planning can negatively impact a company's performance. However, with good financial management, companies can overcome these problems and achieve greater financial stability, allowing them to grow and develop in a competitive business environment.

It is hoped that this research will be useful theoretically as a theoretical development as well as in practical form in relation to financial strategies to improve business sustainability. By implementing these strategies, businesses can improve their financial performance, maintain operational sustainability, and become more competitive in the marketplace.

RESEARCH METHOD

The literature study or literature review strategy was used in this investigation. A literature review is a thorough summary of all the research that has been done on a particular subject in order to inform readers about what is known and what is unknown, as well as to provide justification for previous research or suggestions for additional study (Denney & Tewksbury, 2013). There are several places to find literature studies, such as books, journals, the internet, and libraries. The steps involved in the literature study method include organizing writing supplies, reading and taking notes, and gathering library information.

RESULT AND DISCUSSION

Definition of Business Sustainability

Profits are the foundation of any firm, benefiting the owner, staff, and customers. On the other hand, sustainable business is a term that is also used in the business sector. One of the objectives that needs to be met is sustainable

business. This is due to the fact that the essence of a business benefits not just the organization but also everyone in its immediate vicinity, including employees and customers. Still, one can expect a sustainable business to contribute to society and the environment. The term sustainable business has been popularly applied by many companies in the world. Simply put, every business actor wants their business to last a long time and generate consistent profits, in fact quite a few business actors have the expectation that their business can progress and develop amidst this intense market competition (Ukko et al, 2019).

The management of a sustainable firm then brings this anticipation to pass. A sustainable business is one that consistently or continuously generates benefits over the long and short terms. A company that can consistently incorporate social, legal, behavioral, economic, and environmental ideals into its business plan is considered sustainable. Sustainable company prioritizes both maximizing profitability and ecologically responsible business practices. Three key points—people, profit, and planet (environment) serve as benchmarks for sustainable company.

1. Profit

The primary objective of every business institution must be to generate business profits or earnings from the firm. In this sense, the ongoing development of the business is only focused on maximizing profits. Increasing capital costs is one strategy to boost output and efficiency in a sustainable business, which in turn increases profitability. Meanwhile, better work management can lead to increased productivity. The production process can then be made simpler, less inefficient operations can be eliminated, and time and process can be saved in order to improve performance management. By utilizing resources as effectively as feasible and cutting expenses as much as possible, expenditures can be made more efficient.

2. People (Society)

A business not only seeks to make money, but it also maintains relationships with the community. It is crucial to keep in mind that a sustainable business is one that benefits society as a whole in addition to its owners and employees. When a firm receives support from the community, it can expand. As a result, business and society must be mutually beneficial. Both the firm and the community work together to support business continuation.

3. Planets (Environment)

Since both society and the environment are crucial to the ongoing operations of businesses, they cannot be separated. Running a business is one of the continuing human activity that is connected to the environment. For instance, a corporation unquestionably needs land to operate on and conduct production, as well as water to drink, air to breathe, and so forth. The environment must be maintained and protected if company is to continue operating as usual.

A firm that may benefit the environment as well as the company and society at large is considered to be sustainable. Both offer advantages to one another in return. Since the environment provides numerous benefits to company, including comfort, health, and of course the availability of resources, business continuity will also be maintained in a well-kept environment (Smith, 2014).

The idea of sustainable business is often linked to environmental issues. Not a few people think that a sustainable business is a business that can preserve the environment. Even though it is a main issue, sustainable business is not only limited to environmental aspects. Several other aspects are also taken into consideration in running a sustainable business, such as legal, economic, social, cultural, and many more. Meanwhile, the goals of sustainable business are as follows:

1. Increase Efficiency

Basically, the goal of sustainable business is to ensure business continuity. To make this happen, one way that can be done is to increase efficiency in several aspects. With efficiency, companies can save a lot of costs by reducing unnecessary expenses and minimizing negative impacts on the environment. Therefore, it is not surprising that efficiency is one of the characteristics commonly found in companies that implement sustainable business (Enrriquez-Díaz et al, 2021).

2. Increase profits

Not a few people think that sustainable business is something expensive. By implementing sustainability, the costs incurred are certainly not small. Basically, implementing sustainable business is the same as building a good reputation. This reputation will encourage public trust and even attract sympathy. When implementing sustainable business, companies will also be encouraged to look for alternative raw materials that are environmentally friendly. These materials are generally sustainable and reproducible. From a business aspect, this is certainly more profitable in the long term.

3. Maintain environmental sustainability

A business cannot possibly run in a damaged environment. In order to continue doing business, companies must also protect the surrounding environment. Indirectly, sustainable business encourages companies to carry out various businesses that can maintain business continuity in the long term (Rezaee, 2016).

The Role of Financial Strategy in Business Sustainability

Basically, financial management strategy is an activity of strategic planning, organizing, directing and controlling financial efforts in an organization or company. Financial management aims to maintain fund income, utilize funds optimally and efficiently, and create safe investment opportunities (Salamah, 2023).

As a result, your duties as a financial manager will at the very least include figuring out how much cash the company needs, choosing investments to boost earnings, distributing profits to further corporate development, and performing financial control tasks. Thus, putting financial management into practice will assist businesses with budgeting and securing funding, making critical financial decisions, making the most of and allocating cash received, boosting organizational profitability, and preserving the business's financial stability (Cantele & Zardini, 2018).

Business financial strategy is the key to improving performance and ensuring sustainable business continuity. Budgeting and financial planning are two crucial aspects of this strategy. Budgeting, in simple terms, is the process of setting a budget for a business's expenses and income within a certain period, such as monthly or annually. The importance of budgeting in business should not be overlooked. First of all, budgeting helps in controlling expenses. By having a clear budget, businesses can identify areas where expenses can be reduced or optimized. For example, by allocating funds more efficiently, such as choosing digital marketing instead of expensive traditional advertising. Additionally, budgeting helps in measuring business performance.

By comparing budgets with actuals, business owners can find out to what extent the business is performing as expected or whether there is a need for strategy adjustments. Then, budgeting also helps in long-term financial planning. By setting budgets wisely, businesses can plan for future growth, such as investment in new technology or market expansion. This helps businesses to stay relevant and competitive in an ever-changing market (Nurjannah et al, 2023).

Long-term financial planning is a crucial aspect of financial management strategy. This involves making plans for the future that help the company achieve its long-term goals. The first step in long-term financial planning is setting specific and measurable goals. For example, companies may want to expand their operations, open new branches, or develop new products. Once the goals are set, the next step is to analyze the company's finances in depth, including cash flow, income and expenses (Karlsson, 2019).

After analyzing financials, companies can identify the resources necessary to achieve their goals. This may include investments in product development, infrastructure expansion, or employee training. Companies also need to consider possible risks and develop strategies to manage them. Apart from that, long-term financial planning also involves setting a realistic and detailed budget. It helps companies to allocate resources efficiently and control expenses to stay on track. By carrying out careful long-term financial planning, companies can improve their performance and create long-term sustainability. This allows them to remain competitive in the market and achieve sustainable growth (Lo & Liao, 2021).

The objectives of Financial Management include:

1. Achieve Financial Balance

One of the main goals of financial management is to achieve a balance between income and expenses. This aims to support sustainable business growth by allocating funds wisely for profitable investments

Financial management carefully manages operational expenses to ensure that costs are kept at a level commensurate with the revenue generated. This aims to maintain financial stability and prevent liquidity problems or financial crises that could harm the business. Financial Management seeks to strike a balance between meeting current needs and investing in future growth.

2. Increase Profitability

One of the main goals is to create healthy profitability by maximizing revenue and managing costs efficiently. It aims to drive many financial decisions. Financial Management seeks to identify and reduce inefficient operational costs and evaluate investment opportunities, so as to increase profit margins.

3. Manage Financial Risk

Financial management also contributes to identifying financial risks that can affect the company's financial performance, such as market risk, credit risk, liquidity risk, and others. It aims to assess the level of risk associated with

each type of risk, measuring its impact and probability of occurring. Thus, it can help companies identify, reduce and manage financial risks so that businesses can continue to operate smoothly and gain profits in a fluctuating environment.

4. Achieve Sustainable Growth

Financial Management plays a role in supporting sustainable business growth, by allocating funds wisely for investments that produce positive results in the long term. This involves using financial, human and physical resources in an efficient and sustainable manner, to minimize environmental impacts and achieve operational effectiveness. By combining financial goals with sustainable goals, Financial Management can help businesses achieve long-term success that is not only profitable for the company, but also contributes positively to society and the environment (Menne et al, 2022).

Success of Financial Strategy in Increasing Business Sustainability

In managing a business, financial management strategies are the key to improving performance and sustainability. This strategy involves managing funds efficiently to achieve long-term business goals. Case studies and real examples can provide valuable insight into how these strategies are applied in real situations (Al Muhairi & Nobanee, 2019).

Analysis of successful financial management case studies provides an overview of the concrete steps taken by companies to manage their finances well. For example, company XYZ succeeded in increasing its liquidity by optimizing the cash cycle and minimizing arrears in payments to suppliers. These steps help companies maintain a balance between cash inflows and outflows, thereby avoiding liquidity problems that can hamper growth.

In addition, the analysis also highlights the importance of diversification in managing financial risk. Company ABC is a good example of successfully mitigating risk by diversifying its investment portfolio. They don't just rely on one source of income, but allocate their investments to various financial instruments such as shares, bonds and property. This helps companies reduce the risks associated with market fluctuations and maintain their financial stability in the long term (Bansal & DesJardine, 2014).

Apart from that, the application of technology is also a key factor in successful financial management. LMN companies leverage digital financial management systems to gain better visibility into their cash flows and perform predictive analysis to anticipate market changes. This allows companies to

make more timely and accurate decisions, thereby optimizing the use of their financial resources. By analyzing cases like these, business owners and managers can learn from the experiences of others and develop financial management strategies that suit their business needs and goals (Avesani, 2020)

In the business world, financial management is at the core of sustainability and good performance. It's not just about how to manage money efficiently, but also about leveraging financial resources for long-term growth. Through case studies and real-life examples, we can understand which strategies work and why. Consider a small company that has succeeded in increasing its profitability by managing its cash flow carefully. They conduct regular analyzes of income and expenses, identifying areas where they can save or allocate more funds. Thus, they can avoid liquidity problems and invest in better growth opportunities. On the other hand, there are also large companies that are trapped in huge debts due to bad investment decisions. They do not calculate risks well or fail to utilize available funding wisely. As a result, they have to cut costs drastically or even face bankruptcy (Godwin-Opara, 2016). From these cases, there are several important lessons that can be taken. First, continuous analysis and monitoring of cash flow and financial performance is essential. Second, managing risk wisely and considering the long-term implications of every financial decision is key to sustainability. Third, learning from mistakes is an important part of developing better financial strategies in the future. By implementing appropriate financial management strategies, businesses can improve their performance, avoid financial problems, and create a solid foundation for sustainable growth (Dyllick & Muff, 2016).

CONCLUSION

In the business world, financial management strategies are the key to improving company performance and sustainability. It involves managing funds wisely to achieve long-term goals while maintaining financial stability. There are several key points to understand to implement this strategy successfully.

First, good financial planning is very important. This involves managing cash flow, creating budgets, and financial forecasting to anticipate risks and opportunities. With good planning, businesses can make more timely and effective decisions. Furthermore, risk management should not be ignored. Businesses must identify possible financial risks and develop strategies to manage them. This could include investment diversification, insurance, or emergency fund reserves. It is also important to have a balanced capital

structure. This means finding a balance between own capital and loans. Too much debt can increase financial risk, while too little borrowing can limit a business's ability to grow.

By implementing appropriate financial management strategies, businesses can improve their performance, maintain financial stability, and ensure long-term sustainability. That's why understanding and applying these principles is so important for business sustainability.

REFERENCES

- Al Muhairi, M., & Nobanee, H. 2019. Sustainable financial management. Available at SSRN 3472417.
- Alexander-Joseph, D. T. 2017. *Strategies and processes for implementing financial analysis for business success* (Doctoral dissertation, Walden University).
- Avesani, M. 2020. Sustainability, sustainable development, and business sustainability. In *Life Cycle Sustainability Assessment for Decision-Making* (pp. 21-38). Elsevier.
- Bansal, P., & DesJardine, M. R. 2014. Business sustainability: It is about time. *Strategic organization*, 12(1), 70-78.
- Cantele, S., & Zardini, A. 2018. Is sustainability a competitive advantage for small businesses? An empirical analysis of possible mediators in the sustainability–financial performance relationship. *Journal of cleaner production*, 182, 166-176.
- Denney, A. S., & Tewksbury, R. 2013. How to write a literature review. *Journal of criminal justice education*, 24(2), 218-234.
- Dyllick, T., & Muff, K. 2016. Clarifying the meaning of sustainable business: Introducing a typology from business-as-usual to true business sustainability. *Organization & Environment*, 29(2), 156-174.
- Enríguez-Díaz, J., Castro-Santos, L., & Puime-Guillén, F. (Eds.). 2021. *Financial management and risk analysis strategies for business sustainability*. IGI Global.
- Godwin-Opara, M. 2016. *A resource-based perspective on financial resource strategies for small business sustainability* (Doctoral dissertation, Walden University).
- Han, M., Lee, S., & Kim, J. 2019. Effectiveness of diversification strategies for ensuring financial sustainability of construction companies in the Republic of Korea. *Sustainability*, 11(11), 3076.
- Karlsson, N. P. 2019. Business models and business cases for financial sustainability: Insights on corporate sustainability in the Swedish farm-based biogas industry. *Sustainable Production and Consumption*, 18, 115-129.

- Lankoski, L. 2016. Alternative conceptions of sustainability in a business context. *Journal of cleaner production*, 139, 847-857.
- Lo, F. Y., & Liao, P. C. 2021. Rethinking financial performance and corporate sustainability: Perspectives on resources and strategies. *Technological Forecasting and Social Change*, 162, 120346.
- Menne, F., Surya, B., Yusuf, M., Suriani, S., Ruslan, M., & Iskandar, I. 2022. Optimizing the financial performance of smes based on sharia economy: Perspective of economic business sustainability and open innovation. *Journal of Open Innovation: Technology, Market, and Complexity*, 8(1), 18.
- Müller, A. L., & Pflieger, R. 2014. Business transformation towards sustainability. *Business Research*, 7, 313-350.
- Nurjannah, D., Wardhana, E. T. D. R. W., Handayati, P., Winarno, A., & Jihadi, M. 2023. The Influence of Managerial Capabilities, Financial Literacy, and Risk Mitigation On Msmes Business Sustainability. *Journal of Law and Sustainable Development*, 11(4), e520-e520.
- Pardiman, P., Susyanti, J., Heriyawati, D. F., Zakaria, Z., & Masyhuri, M. 2022. Impact of financial capital, social capital, and business digitalization on business sustainability of SMEs in Indonesia. *Jurnal Manajemen Dan Pemasaran Jasa*, 15(1), 69-82.
- Puaschunder, J. M. (Ed.). 2018. *Corporate social responsibility and opportunities for sustainable financial success*. IGI Global.
- Rezaee, Z. 2016. Business sustainability research: A theoretical and integrated perspective. *Journal of Accounting literature*, 36(1), 48-64.
- Salamah, S. N. 2023. Financial management strategies to improve business performance. *Journal of Contemporary Administration and Management (ADMAN)*, 1(1), 9-12.
- Smith, S. S. 2014. Strategy, Sustainability, and Innovative Financial Reporting. *Journal of Strategic Innovation & Sustainability*, 10(1).
- Ukko, J., Nasiri, M., Saunila, M., & Rantala, T. 2019. Sustainability strategy as a moderator in the relationship between digital business strategy and financial performance. *Journal of Cleaner Production*, 236, 117626.