

# OPTIMIZING A FINANCIAL STRATEGY FOR A STRONG BUSINESS SUSTAINABILITY

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## **Abstract**

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. For the smooth running and sustainability of a business in the long term, a well-thought-out financial strategy is needed. Financial strategy is one of the pillars of a business. Sustainability in a business context refers to a form of accountability in strategic decision making. The strategy formed in business is how the business can develop, be accountable, and generate profits. The method used in this article is the study method. Literature studies can be obtained from various sources, including journals, books, documentation, the internet and libraries. This research discusses corporate finance theory, sustainability theory, business strategy theory, and the integration between finance and sustainability.

**Keywords:** Financial strategy, business sustainability.

## **INTRODUCTION**

Naturally, our goal is for our business to be sustainable if we are in business. But a lot of the world is ruled by short-term thinking and views on many of the issues that humanity faces today, and it is a sad reality that we enable people or groups to act without thinking through the long-term effects of their decisions. Aside from this, one can interpret the term "sustainable" as meaning sustainability or balance. Sustainability in the order of life is commonly understood to mean preserving the equilibrium of life on Earth, i.e., allowing

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plant, animal, and human life to use the environment sustainably without upsetting the equilibrium (Carayannis & Walter, 2014).

Subsequently, with appropriate sustainability, it will establish a sustainable existence between the natural resources and human resources that are already in place and will consistently preserve equilibrium for both the current and future generations. This plan makes sure the business can continue for the benefit of future generations and that a sustainable business will grow to be a multinational one. On the other hand, a number of obstacles need to be overcome in order to turn a plan into a long-term company.

Firstly, in order to transform it into a sustainable firm by taking into account economic, social, and environmental concerns, significant changes are required, particularly in business thinking and management. The people in charge of overseeing these adjustments will present the second difficulty. From the preceding justification, it is clear that we must include the idea of sustainable business practices into our daily operations since the actions we take today could have a favorable or unfavorable effect. What is certain, though, is how we will use this idea to reduce any detrimental effects on the company's capacity to survive (Pashapour et al, 2019).

In general, how a company develops sustainably is not only related to the environment. Indeed, the environment must remain the main issue, because every business and life requires resources from the environment. However, apart from the environment, corporate sustainability also includes legal, financial, economic, industrial, social, material and behavioral aspects. These aspects have their own language, customs and culture, so they stand in a circle. However, they still have something in common, namely eliminating waste and expanding existing resources. In short, the essence of sustainability is eliminating waste and expanding resources. From a business perspective, sustainability refers to reducing current and possible future costs in any form to increase profits, competitiveness and business viability (Lotfi et al, 2021).

The business challenges that will be faced in this digital era are as follows:

1. Digital Transformation

The ever-evolving field of digital transformation offers numerous advantages for the advancement of the modern company sector. Technology can provide optimal outcomes while saving money, time, and energy. However, if the company running the business is unable to keep up, this change may be a serious difficulty. Furthermore, if the transition is not

successful or goes as planned, the dread of abandoning long-standing practices will cause concern.

2. Speed

Today's culture expects quick and useful goods and services, much as technology demands that business owners be flexible. And if the owner of the company is unable to satisfy this need, customers will gradually stop doing business with them. Owners of businesses can get around this by working with current technology. Technology and business together can move forward more quickly because they keep up with changes in the market.

3. Human Resources

Although technology has been embraced by businesses, there is still work to be done, specifically ensuring that the human resources in place are likewise capable of utilizing this technology. Don't allow the enormous expenses associated with updating technology to be wasted because the individuals who need to use it can't.

4. Society is Always Changing

The problem with today's society is that, in addition to wanting things swiftly and practically, tastes, needs, and desires are ever-evolving. The modern civilization has quite complex desires and is easily bored with one thing. In order to create something distinctive and uncommon, business owners must also think creatively. On the other hand, this challenge may prove beneficial down the road. The endeavors of entrepreneurs to persistently innovate will augment understanding of marketplaces and merchandise.

5. Competition is getting higher

Modern technology allows business channels to be integrated such that time and geography are not constraints. It is true that companies can work together with companies anywhere in the world (Rezaee, 2016).

Aside from that, managing rivals presents another difficulty: competing in a way that promotes health. Because, in essence, putting this into practice is crucial. A positive company environment will develop if you can compete healthily.

There are many important factors that influence the success of a business, one of which is financial management. Basically, finance is the basis for company operations which must be managed well through financial management. Financial management 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. Financial management is one of the pillars of a business. Without proper financial management, business income and expenses will be difficult to control which can lead to losses (Freudenreich et al, 2020).

Through financial management, you 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 financial management is very necessary to manage the business budget properly. On a large business scale, companies need an expert financial manager to manage fund acquisition, fund use activities, and asset management. The application of financial management can help prevent increased expenditure, achieve financial goals, minimize financial risks, mobilize finances, ensure company survival, and help make financial decisions (Almagtome et al, 2019).

## **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).

A variety of resources, such as periodicals, books, documents, the internet, and libraries, are available for literature study. The steps involved in the literature study method include organizing writing supplies, reading and taking notes, and gathering library information. A literature review research is the writing style that is employed, and it focuses on writing findings about the subject or writing factors.

## **RESULT AND DISCUSSION**

### **Corporate Finance Theory**

Financial issues pertaining to corporations are invariably linked to corporate finance. These issues include the financial aspects of launching new businesses and managing them during their early stages, accounting problems arising from the separation of capital and income, administrative queries brought on by expansion and growth, and lastly, the monetary modifications required to support or revive already-existing businesses. Having trouble making ends meet. An essential component of overall management is financial

management. It has to do with what a financial management does for a company. The effective use of capital funds, one of the most significant economic resources, is referred to as financial management. Financial management is the process of raising capital and using it wisely for company purposes. It can also be thought of as the application of basic managerial ideas to the realm of financial decision-making, which involves balancing personal interests with organizational objectives. Corporate finance or business finance are terms used to describe the financial management techniques used by businesses (Damodaran, 2014).

Finance is an important basis for a company so it must be managed well, because if financial management is not good the company will suffer losses, go bankrupt or even stop. For this reason, company finances must be managed by a financial manager who has financial competence starting from planning, storing, using and controlling company finances so that problems do not arise (Ross et al, 2022).

Financial management monitors the implementation of financial plan objectives and confirms efforts to achieve predetermined results. This means that financial management is a strategic activity. Financial management is considered an integral part of all activities in a company, which is related to the acquisition and utilization of funds (Vernimmen et al, 2022).

Financial management is management with varied activities through the application of special technical functions such as financial analysis. It also includes project evaluation, preparation and interpretation of financial reports, discretionary budgets and financial reorganization. Financial management is all aspects of administrative activities or administrative functions necessary for the organization of the movement of funds to achieve project goals with high productivity and fulfill its obligations to them in a timely manner (Graham et al, 2020).

### **Sustainability Theory**

In this increasingly developing modern era, the issue of sustainability is increasingly important and urgent to be discussed. The ability to meet present needs without compromising the ability of future generations to meet their own needs is referred to as sustainability. This is offered as a reaction to the detrimental effects of an economic paradigm that ignores social and environmental issues in favor of financial rewards alone. There is a growing sense of urgency regarding the concept of sustainability in a global setting. The problems of climate change, environmental crisis and social inequality are

increasing and require serious attention from all parties. Therefore, the concept of sustainability must be the basis for every decision and action taken, whether in government, industry or society (Svensson et al, 2018).

Sustainability in a business context refers to a form of accountability in strategic decision making. The strategy formed in business is how the business can develop, be accountable and generate profits. The concept of sustainability is an interesting issue because a business or organization must continue to operate in market conditions with increasingly high financial costs but are inversely proportional to market demand (Schaltegger et al, 2019).

It goes without saying that entrepreneurs want their companies to grow and be sustainable. If the business environment can accommodate a business, then that business's presence will be advantageous. By definition, sustainability refers to the ability of a firm to last over the long term and grow. There are companies that have been in operation for many generations. Business continuity is ensured by the leadership that the initial owner passed on to his offspring. Consistent and steady commercial performance that can apply social, cultural, and environmental values can raise this long-term worth (Lozano et al, 2015).

It is not only enough for business actors to have knowledge related to financial management, but also to be able to understand and apply the management knowledge they already have. Good financial management knowledge is expected to be able to make appropriate decisions so that business continuity can continue. These results cannot be separated from the benefits of business sustainability, namely:

1. Productivity increases  
Business sustainability is almost the same as simplifying the production process and reducing excessive activities, so that production costs are also reduced.
2. Open investment opportunities. Companies that can manage finances and the environment well and have sustainable human resources will be attracted by investors to invest in the company.
3. Increasing business sustainability profits cannot be separated from environmental sustainability. The better the business environment is maintained, it can be concluded that the business can benefit from the surrounding environment.
4. Effective management of quality human resources is facilitated by employees' skills and talents, which encourage them to keep learning and develop their competitiveness to attain strong business outcomes.

5. Energy efficiency. The sustainability of a business cannot be separated from utilizing currently developing technology (Danso et al, 2020).

The term sustainable business is often associated with businesses that are able to preserve nature or the surrounding environment. Indeed, the environment (planet) is the main point that is often associated with sustainable business, the goal of the business is not only that. Sustainable business goals are still related to many aspects, such as economic, legal, social, material and behavioral. The goals of sustainable business are as follows:

1. Increase profits

Developing a business into a sustainable category is one step to advance the business. This is because with this label, people will trust the business more because of the 3Ps that they rely on. However, it is not just trust, with this the company can also increase the profits it obtains. People will also prefer to use products from sustainable business companies that are more environmentally friendly. Apart from that, in order to protect the environment, companies will definitely prefer raw materials that are more environmentally friendly and reproducible. That way, the company will indirectly gain benefits in the long term because it can save costs.

2. Increase Efficiency

Increasing efficiency to guarantee the business's survival is the second objective of sustainable business. Future effects of this efficiency on the business will be numerous. Because needless use is eliminated, industrial operations that are efficient will save money. In addition, as less material is lost, efficiency raises manufacturing results as well. The environment is also impacted in addition to the business. Thus, maintaining manufacturing efficiency is one of the traits of businesses that use sustainable business practices.

3. Maintaining nature conservation

As mentioned previously, sustainable business is closely related to environmental issues. A business will definitely not be able to run well without a healthy and supportive environment. Therefore, companies must also be able to protect the environment, which is the same as keeping the business going. The idea of sustainable business is an incentive for companies to make various efforts that can maintain business continuity. Several ways that can be done to maintain continuity are by adopting better systems or using more environmentally friendly technology. By using new technology or systems that are more environmentally friendly, the negative

impact on the environment can be reduced. As a result, environmental sustainability will be better maintained.

The importance of sustainable business is as follows:

1. **Maintain company sustainability**  
In actuality, a business can function and turn a profit even in the absence of sustainable business practices. But, it's important to consider what is meant by "sustainable" when using the term "sustainable business." The three pillars of sustainable business are profit, society, and the environment working together harmoniously. It is therefore anticipated that the business will not be able to exist for an extended length of time in the absence of the application of this principle. This is due to the lack of a solid foundation namely, enhancing society and the environment to sustain the business.
2. **Prevent environmental damage**  
Sustainable business not only keeps the company sustainable, but it also helps to stop environmental harm. One day, careless business decisions may lead to a company's demise. Since the environment has a significant influence on the business, the latter will take steps to preserve it in order to maintain its high rate of return on investment.
3. **Maintain the Company's Good Reputation**  
One of the key reasons for adopting sustainable business practices is to keep the company's positive public image intact. The public will also trust a corporation that operates according to these ideals. Businesses can then boost productivity in order to expand and endure longer.
4. **Increase company profits**  
The business will be able to boost profitability with trust, longer-term business continuity, and the chance to grow into a larger enterprise. Not to add that the company's earnings will increase over time with increased production efficiency across the board.
5. **Become a Work Roadmap**  
A company can use sustainable business practices to ensure that its operations are planned and executed over an extended period of time. As a result, the business will receive a work roadmap that directs all business activity planning and execution. Because sustainable business is a long-term endeavor, the work plan associated with it needs to be developed from a long-term, broad viewpoint. Every work program must also be monitored, which can be done by assembling a specialized crew or utilizing auxiliary technology.

## 6. Attract Investor Interest

One advantage of putting sustainable business concepts into practice is that it makes it simpler to get investors to contribute money. This is a result of the public's increased trust in the business and its positive reputation among customers. Incorporating sustainable business practices not only extends the company's lifespan but also increases investor interest due to increased certainty (Carolina Rezende de Carvalho Ferreira et al, 2016).

### **Business Strategy Theory**

In the current global era, business strategy is very important for companies in carrying out their business to market products or services. Many companies use various methods to make their business known to many people. The corporation can identify strategies to accomplish specific goals in line with the organization's vision, mission, and goals by creating a strategy. The route that needs to be followed in order to reach the predetermined objectives or aims is known as the strategy. Therefore, in order to fulfill the company's vision, mission, and goals, it needs to be able to develop a solid plan that would provide favorable outcomes (Buckley et al, 2015).

A business strategy is a plan or activity or method used by a company to build and strengthen its business in terms of competing products or services in a particular market. To achieve this, there are 3 (three) stages that need to be carried out by the company, namely:

1. Decide where the company will have a good chance of winning the competition.
2. Improve the characteristics of the product or service to make the buyer's attraction stronger.
3. Neutralize every move from your opponent. Business strategy can be linked to actions or activities to develop skills or abilities that will be needed to achieve competitive advantage (Clegg et al, 2019).

Business strategy refers to an entrepreneur's or company's capacity to assess its internal and external environments, develop plans to accomplish goals, implement strategies, and conduct assessments to gather input for future strategy development. Three variables are used to measure this variable: differentiation, low cost, and focus strategy. As a result of changes in the business environment, established businesses are attempting to modify their strategy accordingly.

An effective strategy is one that can adjust to different shifts in the corporate environment in order to gain a competitive edge. Only by consistently trying to come up with new ideas and tactics to gain ongoing competitive advantage can one attain competitive advantage. In this manner, the business can rule both established and emerging marketplaces. Experts in strategic planning contend that a company's mission statement, which needs to be incorporated into the stated business strategy, reflects the overarching concept of the firm or enterprise (Ghemawat, 2016).

Building and strengthening the company's position in the long-term business competitiveness is the primary business plan of the organization. There are five requirements that need to be met, which are as follows:

1. Offer responses or responses to the industrial domains of economics, politics, law, and so forth;
2. Provide strategies and tactics to deal with competition.
2. Developing superior competitive skills and talents
3. Describe the strategy plans for every functional department.
4. Establish the primary plan of action for the business's operating tasks.

### **Integration between Finance and Sustainability**

Business is a promising field for earning income. This is no exception to businesses from the financial sector which are now increasingly having a strong enough appeal to attract investors. In this business, there are various choices of principles that can be used as the basis for a business that runs on providing financial services. The principle of sustainable finance itself is an example of one of the many existing financial service principles. This type of principle has been widely used because it is considered more effective for increasing shared economic growth (Razak et al, 2016).

A financial system that promotes economic growth while lessening its impact on the environment and taking into account social and corporate governance issues like inequality, human rights, management style, and executive compensation is known as sustainable finance. In order for issuers and publicly traded corporations to be held accountable and transparent about the effects of their operations on the social, environmental, and economic spheres, sustainability reports must also be evaluated.

The principles of sustainable finance also have an important role in the sustainability of the concept or practice. Because without principles that are used as a basis for determining the path, the goal will not be achieved.

Therefore, a shorter definition of sustainable finance is a practice of financial services that is more transparent about the principles used (Zhang, et al, 2024).

The objectives of using the concept of sustainable finance are:

1. Funding sources are available

By implementing sustainable finance, companies gain wider access to funding sources needed for development, especially sustainable development. So that the funds are large enough, the benefits felt by the company will be greater than the efforts put in to start implementing sustainable finance. Easier access to financing and lower costs can be found in several countries that have already implemented sustainable finance principles.

2. Increase competitiveness

Implementing sustainable finance means having good governance. Corporate governance is an older and better known concept than Sustainable Finance. Implementing Sustainable Finance also means practicing good corporate governance. Good governance increases a company's resilience and competitiveness by developing risk oversight throughout the organization. This step will reduce the risk significantly because it is addressed before it has a major impact.

3. Prevent social inequality

The aim of implementing sustainable finance principles in general is to reduce social inequality, reduce and prevent environmental damage, maintain biodiversity, and encourage efficient use of energy and natural resources. The way to do this is by encouraging self-confidence, human health and well-being, improving the health of the planet, contributing more to an equal and inclusive world (Weber, 2016).

Principles of sustainable finance in a company and business:

1. Sustainable business strategies and practices

In applying this principle, each financial service determines and applies strategies and practices in decision making. Achieving long-term and short-term goals is part of efforts to achieve goals. This also includes the vision and mission of the company or business, to be able to achieve the goals that have been determined together previously.

2. Governance

Enforcement of governance for a financial services provider requires good management, this can be done by certain parties from high-ranking positions. Applicable business operations also need to include transparency that is more open, accountable and of course responsible. Apart from that,

a professional attitude is also needed to be able to realize the principles of this governance.

3. Informative communication

Providing informative information and reports is one of the principles adhered to by financial services that use sustainable finance principles. The report and information must be easy to understand and can be accounted for. The delivery also needs to be done in an informative manner which can be done through any communication media. Not only that, the required information must also be in accordance with applicable government policies.

4. Inclusive

The types of financial products and services offered need to cover all economic sectors in accordance with the needs of the community itself. However, apart from that, apart from prioritizing the needs of the community, these services also need to use government policy. Because if one of these things is not balanced, then the goals to be achieved will be difficult to realize.

5. Development of priority leading sectors

Financial services must always provide preference to superior sectors as defined by the RPJMN and RPJP, which are tools used by the government. This needs to be done to support the achievement of development goals, including handling climate change. This principle of priority sector development can be implemented by all businesses that provide financial services easily if they already have recorded data.

6. Coordination and collaboration

Financial service providers, commonly referred to as banks, are one of the financial services that use sustainable financial principles as their basis. The Bank has actively participated in activities or collaborations related to these principles. Strategies and policies that can open up business opportunities are carried out at regional, national and local levels (Steen, E. V. D, 2017).

## **CONCLUSION**

Finance is an important basis for a company so it must be managed well, because if financial management is not good the company will suffer losses, go bankrupt or even stop. For this reason, company finances must be managed by a financial manager who has financial competence starting from planning, storing, using and controlling company finances so that problems do not arise.

Sustainability in a business context refers to a form of accountability in strategic decision making. The strategy formed in business is how the business can develop, be accountable and generate profits. The concept of sustainability is an interesting issue because a business or organization must continue to operate in market conditions with increasingly high financial costs but are inversely proportional to market demand.

Through a financial strategy, you 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 financial management is very necessary to manage the business budget properly.

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