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BUSINESS SUSTAINABILITY SECRETS: IMPLEMENTING AN EFFECTIVE FINANCIAL STRATEGY

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Abstract

In an ever-changing and uncertain business world, business sustainability is a top priority for stakeholders. One of the main keys to achieving this sustainability is through the implementation of an effective financial strategy. This article explains the financial strategy of business sustainability and the obstacles it faces. The research methods used in this study are literature that corresponds to the context of the research. The findings from this study are that the sustainability of a successful business depends heavily on the implementation of an effective financial strategy, which takes into account challenges such as market uncertainty, resource constraints, and internal conflicts. Efficiency in financial management can be enhanced through the use of advanced technology and human resource capacity development. With a comprehensive and adaptive approach, companies can cope with market fluctuations and long-term growth and stability.

Keywords: Business Sustainability, Financial Strategy, Effective.

Introduction

With a dynamic business environment and increasing competition, the sustainability of a business has become an important theme that is often the main concern of entrepreneurs and stakeholders. Business sustainability is not just about

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achieving short-term profits, but more about the company's ability to survive and thrive in the long term amid changing markets and economic challenges.

In a fluctuating economy, where variables such as inflation, currency exchange rates, and interest rates change rapidly, business sustainability is at the heart of a company's resilience and adaptability. (Schmidt, P. 2000). The ability to survive these unexpected and often difficult circumstances indicates the maturity of a business entity's operational and financial strategy. (Demirguc-Kunt et al., 2006). Given that economic challenges can significantly affect the revenue and operating costs of a company, that do not have an effective sustainability plan may find it difficult to meet commitments to their stakeholders, ranging from employees, customers, to investors, which ultimately potentially lead to losses or even business failures. (Mohamed, E. K., & Lashine, 2003).

On the other hand, companies that focus on sustainability in their operations tend to be more resilient in the face of economic turmoil. (Klapper, L., & Laeven, L. 2004). Business sustainability is not only related to environmental conservation and social responsibility, but also includes sustainability of financial performance. It supports the ability of companies to continue to break through new markets, innovate in products and services, and give back to communities and the environment. (Kaplan, R. S., & Norton, D. P. 2001). This concept creates sustainable value for all stakeholders and enables companies to strengthen their brand and reputation in the public eye, thus providing a strong foundation for long-term growth and stability. (Schiffer, M., & Weder, B. 2001).

One of the critical factors that play an important role in determining the success and sustainability of a business is the management of a financial strategy. Effective financial strategies help in various aspects, including cash flow management, budgeting, investment decision-making, and financing, which ultimately improve operational efficiency and competitive advantage. (Bender, R. 2013).

Financial strategies play an important role in ensuring the sustainability of a business. Without solid and strategic financial management, will find it difficult to survive, let alone thrive, in a competitive and uncertain market environment. (ALEKSEEV et al., 2018). An effective financial strategy involves managing assets and liabilities in a way that maximizes value for shareholders and reduces financial risk. It covers financial planning, planning, forecasting, cash management, and wise financing and investment. With this approach, companies can improve their ability to generate cash, strengthen their financial position, and minimize the negative impact of economic fluctuations. (Smith et al., 2001).

Furthermore, financial strategies also play a role in supporting other business strategic decisions. For example, financial strategies can provide valuable information when planning business expansion, making acquisitions, or entering new markets. This decision, although potentially profitable, carries a number of risks that can damage the company's finances if not properly managed (L Salazar et al., 2012). Through effective financial risk management and strategic resource allocation, companies can take these strategic steps with confidence, ensuring that they contribute to the long-term goals of business sustainability, not just short-term profits. (Blackman et al., 2013).

On the other hand, financial strategies must also take into account corporate social responsibility and environmental sustainability. In today’s global economy, companies that ignore external factors such as the environmental and social impact of their operations tend to face reputation risks that can harm their financial performance (Hillier et al., 2011). By integrating financial strategies with considerations of environment and social sustainability, companies not only improve their market positions but also build consumer loyalty and create long-term value. (Wang et al., 2021).

Thus, financial strategy is a critical aspect in supporting business sustainability. Through strategic financial management, can optimize their operational performance, minimize risk, and utilize strategic opportunities effectively. Furthermore, by integrating environmental and social sustainability considerations into financial strategies, companies are in a better position to face future challenges and build a strong foundation for long-term growth and success.

However, many face challenges in implementing financial strategies for a variety of reasons, ranging from resource constraints, a lack of understanding of solid financial principles, to unexpected market fluctuations. (Gajdosikova, D., & Valaskova, K. 2022; Sun et al., 2021). Therefore, it is essential to undertake in-depth research on how to implement an effective financial strategy that can provide a basis for business sustainability.

From this point of view, this research is to investigate the problems of financial strategies on the path of business sustainability and the obstacles it faces.

Research Method

The method of research carried out on this study is literature. Literature research method is a method to gather references from various reliable sources. There are several major steps taken in literature research, among them: 1) Keyword search: This is an early stage in which researchers search for relevant keywords through catalogues, indexes, and search engines to find material that matches the research topic. 2) Descriptive Analytic: This approach involves the collection, identification, configuration, and analysis of various data found. (Bungin, 2001; Moleong, 2007). Literature studies often use this method to obtain a comprehensive picture of the subject or problem. (Arikunto, 2013; Reay, 2014).

Such methods are very helpful in understanding the background of the problem, relevant theories, as well as previous research findings on the area studied. It's also important in making a literature review, which summarizes previous research related to a topic, includes an understanding of methods, benefits, and how to make it. (Graue, 2015).

Result and Discussion

Business Sustainability Theory

Business sustainability is a concept that urges companies to operate in a way that ensures their long-term sustainability, while considering the social, environmental, and economic impacts of their operational activities. (Schmidt, P. 2000). It leads to the development and implementation of socially and environmentally responsible business practices, as well as the ability to adapt to changing economic or market conditions in the long term. (Demirguc-Kunt et al., 2006). The concept of business sustainability emphasizes the need for a balance between the demands of economic growth and environmental protection, as well as the well-being of the community where the business operates. (Mohamed, E. K., & Lashine 2003).

In practice, business sustainability covers many aspects, from resource efficiency, renewable energy, waste reduction, to carbon footprint reduction efforts. (Klapper, L., & Laeven, L. 2004). This sustainability approach is aimed not only at minimizing the negative impact on the environment, but also at creating economic value that can boost the competitiveness and reputation of companies. By integrating sustainability principles into business strategies, companies can ensure long-term growth and profitability, whileining a balance with social and environmental needs. (Kaplan, R. S., & Norton, D. P. 2001).

Thus, business sustainability is the core strategy that helps companies survive in tight market competition by ensuring responsible and adaptive operations. Through the implementation of sustainability practices, companies can not only improve operational efficiency and reduce costs, but also build a positive reputation that can attract consumers and investments. Furthermore, by taking social and environmental responsibilities forward, companies can make a significant contribution to sustainable development and the well-being of society as a whole.

The determinants of business sustainability are diverse and cover elements ranging from environmental, social, to good governance (Environmental, Social, and Governance - ESG). (Huang, D. Z. 2021). Environmental aspects involve business efforts to minimize their ecological footprint through reducing greenhouse gas emissions, efficient waste management, water conservation, and sustainable use of natural resources. From a social point of view, determining factors include ethical business practices, respect for workers' rights, contributing to community development, and promoting inclusiveness and diversity. (Gillan et al., 2010). Meanwhile, good governance includes transparency, corporate accountability, and effective and fair leadership structures, all of which determine trust and reputation in the eyes of stakeholders. (Tarmuji et al., 2016).

In addition to ESG factors, innovation and adaptability also play an important role in business sustainability. Innovation allows companies to continuously improve and develop their products or services, thus remaining relevant in an ever-changing market. (Lokuwaduge, C. S. D. S., & Heenetigala, K. 2017). Adaptability to global change, such as shifts in consumer behavior, technological advances, and government regulation, is also crucial. Companies that can adjust their operations and business strategies to meet new demands are more likely to survive over the long term, while strengthening their sustainability performance (Tsang et al., 2023).

These factors, when considered comprehensively and integrated into the core strategy of the company, become a strong foundation for business sustainability. (Clementino, E., & Perkins, R. 2021). Through a holistic approach that blends ESG, innovation, and adaptability, not only create long-term value for stakeholders, but also ensure the continuity of their future operations in a dynamic and challenging global ecosystem. (Almeyda, R., & Darmansya, A. 2019).

Financial Strategy in Business

A financial strategy is a plan designed to financial stability and long-term value growth of an organization by optimizing the use of financial resources. The plan involves asset allocation, operational financing, and risk management to specific financial goals that are consistent with the company's vision and mission. (Wang et al., 2021). Effective financial strategies focus not only on achieving maximum profitability but also on cash flow management, prudent investment, and increased return on investment. It aims to ensure that the company can meet its financial obligations, reinvest in the business, and provide adequate returns to shareholders (Kollmann, J., & Dobrovič, J. 2022).

Key elements of a financial strategy include financial planning, asset and liability management, and risk analysis and management. Financial planning includes the development of budgets, financial forecasts, and the preparation of plans for the management of income and expenditure. It aims to create future visibility that can help strategic and tactical decision-making (Budiarto et al., 2023). Furthermore, asset and liability management ensures that resources are managed efficiently and that liabilities are met without exceeding financial capacity. This includes the optimization of all financial resources such as cash, mortgages, stocks, and investments. (Rengkung, L. R. 2022).

Risk analysis and management is another critical element in a financial strategy, which aims to identify, evaluate, and mitigate financial risks that can affect the operation and success of a company. It involves an evaluation of market risk, credit risk, liquidity risk, and operational risk. (Ahsan et al., 2022). Through the use of hedging, insurance, and investment diversification instruments, companies can minimize the negative impact of market uncertainty and changing economic conditions. Effective risk management not only protects the company’s assets but also ensures a stable and rapidly growing business survival. (Ren et al., 2023).

By understanding and implementing these elements effectively, companies can design robust financial strategies, minimize losses, and maximize potential returns, strengthening the financial foundation that can support business growth and expansion in the long term.

Financial strategy plays a crucial role in determining business performance. With a planned and structured financial strategy, companies can allocate their resources more efficiently, ensure liquidity and solvency, and optimize return on investment. It is becoming crucial in investment decision-making and operational cost management so that it can support growth and reduce the risk of financial losses. (Farooq et al., 2024). For example, careful budget planning can prevent companies from excessive spending, while in-depth risk analysis allows companies to identify and avoid potentially detrimental investments. Thus, a solid financial strategy can improve operational efficiency and increase profit margins, which directly contribute to better business performance. (Zhang et al., 2023).

In addition, an effective financial strategy also strengthens the company's position in the market. With the ability to take advantage of financing and investment opportunities, as well as obtaining more favourable lending conditions, companies can compete more effectively and exploit new growth opportunities. This also includes comprehensive market and credit risk management, which preserves the company's reputation and minimizes the negative impact of market fluctuations on the investment and operational portfolios of companies. (Kusuma et al., 2021). Thus, proactive financial strategies not only improve financial performance but also strengthen business competitiveness in the long term, create added value for shareholders and increase investor confidence. Mature financial strategies are key to achieving sustainable business performance and optimizing growth potential.

The relationship between financial strategy and business sustainability is a very close link, where one aspect affects performance and survival the other directly. Well-designed financial strategies contribute to business sustainability by ensuring that companies have a strong financial foundation to support long-term operations, even amid market uncertainty or economic challenges. These include effective fund allocation, prudent investment activities, and proactive financial risk management. (Ho et al., 2022). Thus, financial strategies enable to not only survive difficult times but also thrive and take advantage of emerging opportunities. Through long-term financial planning and careful resource management, companies can minimize financial risks, improve operational efficiency, and ensure the survival of cash flows, all of which are critical to business survival. (Jasiyah, R., & Sujana, I. W. 2024).

Furthermore, financial strategies that are closely related to business sustainability also cover aspects of social and environmental responsibility. Nowadays, investors and consumers are increasingly emphasizing the importance of sustainability, so companies that pursue sustainable financial practices tend to gain a better reputation, attract more investment, and maintain customer loyalty. (Ullah et al., 2024). For example, investing in green technologies or business practices that reduce environmental impact can reduce operating costs in the long term, open up new markets, and ensure companies are in line with regulations. Financial strategies that take into account these sustainability factors not only strengthen the financial position of companies but also make more resilient to socio-economic and environmental changes, ensuring business survival through sustained adaptation and innovation. (Borodin et al., 2021).

Obstacles encountered in implementing an effective financial strategy

Implementing an effective financial strategy can face a variety of barriers that often require adjustments and wise strategic decisions. (Schmidt, P. 2000). First, the level of uncertainty in the markets can be a major challenge, especially in volatile economies or when there are unexpected changes in regulation and government policies. This uncertainty can affect estimates of revenue, costs, and other risks, thus making financial projections more difficult and adding complexity to investment decision-making. (Demirguc-Kunt et al., 2006).

Secondly, limited financial resources become a real barrier, for small and medium-sized enterprises, which may have more limited access to capital or credit. These limitations may limit the ability of companies to invest in potential projects or to adopt the latest technologies, which in turn can hinder business growth and expansion. (Mohamed, E. K., & Lashine, 2003). In addition, companies may also have difficulties inining adequate liquidity and solvency in the face of cash fluctuations or in meeting short-term financial obligations. (Klapper, L., & Laeven, L. 2004).

Thirdly, the differences in vision and management between my stakeholders are also often a stumbling block. Financial managers may have a conservative strategic plan to maintain the corporate financial stability, while investors or business owners may seek aggressive growth and short-term return on investment. These tensions require negotiations and compromises that can sometimes reduce the effectiveness or speed of implementing a planned financial strategy. (Kaplan, R. S., & Norton, D. P. 2001).

Fourthly, the technical and operational challenges cannot be ignored either. For example, a less sophisticated financial system or inadequate accounting procedures can lead to errors in financial reporting or inefficient analysis, resulting in inappropriate investment decisions (Huang, D. Z. 2021). Moreover, inexperienced human resources in financial management and strategy can be a major impediment to managing finance professionally, especially in today’s digital age that demands expertise in data and analytics. (Gillan et al., 2010).

Thus, implementing an effective financial strategy requires careful navigation of challenges, ranging from market uncertainty to resource constraints and differences in management interests. It is important for companies to continue to adapt their strategies to a dynamic business environment and develop robust financial management systems. An adaptive and participatory approach involving all stakeholders, investment in suitable technologies and systems, as well as enhanced human resource capacity in financial management are key to overcoming such barriers and creating a strong foundation for business sustainability.

Conclusion

An effective financial strategy is that building andining a financially sustainable business requires in-depth understanding and implementation of wise and adaptive financial strategies. Long-term success is achieved not only through achieving short-term profits, but through financial planning that takes into account market uncertainty, resource constraints, differences between stakeholders, and technical and operational challenges.

The key to addressing these challenges is through proactive risk management, strategic asset allocation, and investment decisions that take into account both the growth and financial stability of the company. Continuity in adapting to changing market environments, regulations, and technology is also crucial.

Furthermore, effective engagement and communication among all stakeholders, including management, employees, investors, and business partners, is an essential element in formulating and implementing a successful financial strategy. In addition, investments in financial technology and training of human resources to enhance the analytical and operational capacity of companies also play an important role.

Thus, the secret of true business sustainability lies in the ability to create synergies between a long-term vision, an in-depth understanding of internal and external challenges, and a flexible and innovative approach to financial management. Navigating this complexity successfully enables not only to survive in the most challenging conditions but also to thrive and meet their long-term ambitions.

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