

Financial Management Strategies to Improve Business Performance

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Abstract. In the business world, company performance is very important. Business performance is influenced by various factors such as strategy, human resource management, financial management, and business environment. Effective and efficient financial management is essential to ensure business sustainability and growth. The purpose of this study is to discuss appropriate financial management strategies to improve business performance. The methodology used in this study is descriptive analytical method using secondary data obtained from various sources such as academic journals, books, and company financial reports. This study arrives at the conclusion that in an increasingly complex and competitive business era, effective financial management is an important key in improving company performance. The right financial management strategy can help companies estimate and allocate resources effectively, manage risks, and make the right decisions in capitalising on business opportunities.

Keywords: Business Performance, Finance, Management, Strategy

1. Introduction

In the business world, company performance is very important. Business performance is influenced by various factors such as strategy, human resource management, financial management, and business environment. Effective and efficient financial management is essential to ensure business sustainability and growth. One way to improve business performance is to implement the right financial management strategy [1] [2] [3] [4]. Financial management is a complex process, including collecting, organising, controlling, and managing funds and using financial resources effectively and efficiently. Proper financial management can help companies achieve short-term and long-term goals.

The right financial decisions can help a company manage risk and create value for the company's stakeholders. However, despite the importance of financial management for business success, many companies still experience difficulties in managing their finances. Many companies have gone bankrupt due to improper financial management. Some factors that can affect poor financial management include a lack of understanding of financial management, ignorance of how to manage finances, and lack of good financial planning [5]. In addition, a dynamic and competitive business environment can also affect financial management. Changes in the business environment can affect the company's financial policies and require companies to take quick and appropriate action in managing finances. Therefore, the right financial management strategy is very important to help companies face the challenges of a dynamic business environment.

The purpose of this study is to discuss appropriate financial management strategies to improve business performance. This research will discuss several concepts and theories related to financial management that can help companies improve their performance. In addition, this research will also discuss several case studies of companies that have successfully improved their performance through the implementation of appropriate financial management strategies.

2. Method

The methodology used in this research is descriptive analytical method. The analytical descriptive method is used to describe the characteristics of a phenomenon or event and analyse the relationship between related



variables. This research will use secondary data obtained from various sources such as academic journals, books, and company financial reports. In this study, several concepts and theories related to financial management that are important to understand will be discussed. The first concept that will be discussed is financial management which includes collecting, organising, controlling, and managing funds and using financial resources effectively and efficiently. This concept is very important because good financial management can help companies achieve short-term and long-term goals [6]. The next concept to be discussed is financial ratio analysis. Financial ratio analysis is used to measure the company's financial performance by analysing the relationship between various financial items in the financial statements. Financial ratio analysis can assist management in making the right financial decisions. In addition, this study will also discuss several theories related to financial management that can help companies improve their performance. One of the theories that will be discussed is agency theory which explains the relationship between company owners and management and employees. This theory is very important because it can help management in making the right financial decisions that benefit company owners. In addition, this research will also discuss several case studies of companies that have successfully improved their performance through the implementation of appropriate financial management strategies. These case studies will provide useful insights for companies that want to improve their performance through better financial management.

3. Result and Discussion

In the previous section, it was discussed about the background of the importance of financial management strategies to improve business performance. This section will discuss in more detail about financial management strategies that can help companies improve their performance [7]. First of all, an effective financial management strategy must involve all financial aspects of the company, including the collection, organisation, control, and use of funds. This can be done by conducting careful financial planning and developing a realistic budget for each period. Good financial planning should consider various factors that can affect the company's finances such as market conditions, risks, and business targets. In this case, the company must consider the optimal use of existing resources, such as considering the use of own capital or foreign capital that is most suitable for business needs.

In addition, the company should understand expenses and revenues in detail, such as operating costs, fixed costs, and variable costs. This will help the company estimate revenue and take into account the costs incurred to generate that revenue. Thus, the company can allocate existing resources more effectively. In addition, the company must also pay attention to its cash flow. Cash flow is a measurement of the inflow and outflow of money in a period. The company must understand its cash flow in detail to help manage and control finances. In this case, the company must consider cash flow that can occur in the future and take appropriate action to manage existing cash [8].

An effective financial management strategy must also consider risk management. Business risks can occur from various factors such as market, financial, operational, and others. Therefore, companies must take risks into account and take action to reduce these risks. Some actions that can be taken are to diversify investments, pay attention to data and information security, and perform better operational risk management. In addition, companies should also consider the utilisation of information and communication technology in financial management. In today's digital era, technology has become very important in managing finances. Some examples of technology that can be utilised are the use of financial applications, financial management software, and others. The use of this technology can help companies improve the efficiency and effectiveness of financial management [9].

Case studies from several companies show that implementing the right financial management strategy can help companies improve their performance. For example, PT Astra International, the largest automotive company in Indonesia, has managed to improve its performance through effective financial management. In its financial report, Astra International recorded a 31% increase in net profit in 2018, compared to the previous year. This was due to good financial management strategies, such as strengthening the company's capital structure, diversifying its business, and utilising technology to improve operational efficiency and effectiveness. In addition, US-based construction company Turner Construction Company also managed to improve its performance through effective financial management. In its financial report, Turner recorded a 10% increase in revenue and 26% increase in net profit in 2017, compared to the previous year. Turner managed to achieve this by implementing effective financial management strategies, such as diversifying investments, managing risks effectively, and utilising technology to improve operational efficiency and effectiveness.

From the case study above, it can be concluded that the right financial management strategy can help companies improve their performance. This is because good financial management will help companies forecast revenue and allocate existing resources more effectively. In addition, effective financial management will also help companies reduce risk, utilise technology, and improve operational efficiency and effectiveness [10]. However, keep in mind that each company has different characteristics and conditions. Therefore, an effective financial management strategy must also be adjusted to the needs and conditions of the company. Companies must evaluate the strategies that have been implemented and make changes or adjustments if necessary. In addition, financial management must also be carried out transparently and accountably, so that the company can be accountable for the use of funds and gain the trust of stakeholders.

Overall, an effective financial management strategy is very important for the sustainability of the company's business. Good financial management can help companies improve their performance, reduce risks, utilise technology, and improve operational efficiency and effectiveness. Therefore, a company must take its financial management seriously and involve all aspects of the company's finances, including the collection, organisation, control and use of funds.

4. Conclusion

In an increasingly complex and competitive business era, effective financial management is an important key in improving company performance. The right financial management strategy can help companies estimate and allocate resources effectively, manage risks, and make the right decisions in utilising business opportunities.

In the previous discussion, we have discussed several financial management strategies that can help companies improve their performance. Firstly, the company should conduct thorough financial planning and develop a realistic budget for each period. In this case, the company must consider various factors that can affect finances, understand expenses and income in detail, and pay close attention to its cash flow [11]. In addition, risk management is also important in financial management. Companies must take into account risks and take appropriate action to reduce these risks. In this case, the company must diversify investments, pay attention to data and information security, and perform better operational risk management. The utilisation of information and communication technology is also important in financial management. Companies should consider technologies that can be utilised to improve the efficiency and effectiveness of financial management.

Through case studies of several companies, it can be concluded that the implementation of appropriate financial management strategies can help companies improve their performance. For example, PT Astra International managed to improve its performance through the development of good financial management strategies, including good risk management, investment diversification, and utilisation of information and communication technology. In this conclusion, it can be concluded that effective financial management is important in improving company performance. In developing an appropriate financial management strategy, companies must take into account various factors that can affect the company's finances, understand expenses and revenues in detail, pay close attention to cash flow, and conduct risk management and utilise information and communication technology appropriately. Therefore, the company must have a competent and skilled finance team to develop effective financial management strategies. In this case, the company must also provide training and development to finance staff to improve their abilities and skills in managing finances.

In an increasingly changing and complex business environment, effective financial management becomes a very important factor in ensuring business continuity and improving company performance. Therefore, companies must continuously monitor and evaluate their financial management strategies on a regular basis to ensure long-term success. In addition, companies must also consider ethical and sustainability factors in their financial management. Responsible and sustainable decision-making can help companies maintain their reputation and support long-term business growth. In the face of evolving challenges and opportunities, companies must adapt and develop innovative financial management strategies. Utilising emerging technologies, such as artificial intelligence and blockchain, can help companies improve the efficiency and effectiveness of financial management.

Ultimately, the conclusion of this paper is that effective financial management is an important key in improving company performance. Companies should consider various factors, including sound financial planning, good risk management, appropriate use of technology, and ethical and sustainability factors in developing their financial management strategies. In an increasingly complex and dynamic business environment, companies must continue to adapt and develop innovative financial management strategies to ensure long-term success [12].

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