JEBI: Jurnal Ekonomi dan Bisnis
Vol. 2 No. 2 (2024), Hal. 512-522 e-ISSN: 3021-8365

NAVIGATE THE FUTURE OF BUSINESS WITH SUSTAINABLE FINANCIAL STRATEGY

Loso Judijanto *[1]
IPOSS Jakarta, Indonesia
losojudijantobumn@gmail.com

Raden Ayu Trisnayoni
Politeknik Negeri Bali
trisna-yoni@pnb.ac.id

Teguh Wibowo
STEBI Global Mulia Cikarang
teguhwibowoyasin74@gmail.com

Abstract

In a global context that increasingly emphasizes the importance of environmental and social sustainability, face challenges as well as opportunities to redesign their financial strategies. These trends are accelerated by changing consumer preferences, pressure from investors and stakeholders, and tighter regulations on sustainability. The aim of this study is to look further into sustainable financial strategies that can be applied in various business models, and their implementation. The research method used in this study is literature. Research results show that sustainable financial strategies not only minimize negative impacts on the environment and society, but also open access to new capital, enhance brand image, and promote compliance with applicable regulations. Furthermore, the implementation of effective ESG practices has proven to improve the financial performance of companies in the long term. By encouraging a holistic approach that considers external and internal impacts, companies can not only survive but also thrive in a global economy that increasingly demands greater environmental, social, and governance responsibilities.

Keywords: Business, Strategy, Finance, Sustainability.

Introduction

In an era of globalization and rapid economic growth, the biggest challenge facing the business world is to create a sustainable growth model. The urgency of sustainability means not only from the environmental point of view, but also from the social and economic aspects. The dynamics of global markets and policies are increasingly driving companies to integrate sustainability principles into their business strategies, in financial management.

[1] Correspondence author

Modern business sustainability has evolved from an additional option to a strategic necessity. Sustainability is no longer just about environmental conservation, but has become an integral economic, social, and environmental imperative in business decision-making. (Chopra et al., 2021). Globalization and instant access to information enable consumers, investors, and governments to become more aware of the operational impact of on issues such as climate change, social inequality, and the need for responsible management of natural resources. (Bansal, P., & DesJardine, M. R. 2014). Businesses that care about the principles of sustainability have demonstrated their ability not only to operate more efficiently, but also to attract investment, manage risk better, and ensure wider access to markets that increasingly value corporate responsibility. (Schaltegger et al., 2016).

Faced with severe competition and a rapidly changing business environment, companies that adopt a sustainability framework can gain a stronger position to navigate economic uncertainty. (Bansal et al., 2021). Transformation towards sustainable business practices drives innovation and efficiency, strengthens the brand and reputation of the company, and creates long-term value for stakeholders. Business sustainability is no longer measured only by short-term financial gains, but also by its contribution to social and environmental sustainability. By synergizing economic growth and the demands of sustainability, companies can create models that can survive and thrive as global awareness of the importance of sustainable development grows. (Veleva, V., & Ellenbecker, M. 2000).

Climate change, becoming one of the most serious threats to corporate sustainability, forces companies to adapt their operations to be more environmentally friendly. (Rezaee, Z. 2016). Meanwhile, corporate social responsibility (CSR) has grown into an important aspect in building reputation and long-term relationships with stakeholders. Both of these factors require a financial approach that not only focuses on short-term profitability, but also considers the long-term impact on the environment and society. (Preghenella, N., & Battistella, C. 2021).

For the business world, climate change presents a number of significant risks that can disrupt operations, affect supply chains, and change consumer demand, in addition to potentially creating natural disasters that can damage physical assets. (Blowfield, M., & Blowfield, M. 2013). For example, increased frequency and intensity of extreme weather phenomena can damage infrastructure, while changing weather patterns can interfere with raw material production. As a result, companies need to formulate mitigation and adaptation strategies to minimize these impacts, including reducing greenhouse gas emissions, improving energy efficiency, and developing sustainable products and services. (Porter, T., & Derry, R. 2012).

Meanwhile, corporate social responsibility (CSR) is a concept in which companies integrate social and environmental concerns into business operations as well as interactions with stakeholders. CSR covers various activities, such as working with local communities, developing ethical employment practices, and considerations for environmental well-being (Büyüközkan, G., & Karabulut, Y. 2018). Ethical business practices and strong CSR are now one of the determining factors in the reputation of companies, in the eyes of consumers as well as investors, who are increasingly taking social and environmental considerations into account in making purchasing or investment decisions. Effective CSR initiatives can strengthen relationships with the community, increase customer loyalty, and ultimately support long-term business success. In essence, companies that are proactive in pursuing social responsibility not only contribute to society, but also lay a solid foundation for sustainable growth. (Agrawal et al., 2022).

For that, a sustainable financial strategy is the key. This strategy involves asset management, investment allocation, and financing that takes into account sustainability criteria and pursues goals such as reducing carbon emissions, optimizing resource efficiency, and supporting social justice. (Bender, R. 2013).

Sustainable finance refers to the practice of integrating environmental, social, and governance (ESG) considerations into investment decisions and financial management. This approach not only identifies greener and more responsible investment opportunities, but also recognizes that risks associated with ESG aspects can significantly affect the long-term value of assets and companies. (ALEKSEEV et al., 2018). Thus, sustainable finance directs funds to enterprises and projects that support the transition to a low-carbon economy, reduce the negative social impact, and encourage good governance. This integration supports business survival by minimizing risks associated with climate change, social inequality, and poor corporate governance, while simultaneously opening up access to future-oriented and innovative financial resources. (Smith et al., 2011).

In practice, engagement in sustainable finance allows to not only gain a competitive advantage but also drive innovation and internal efficiency (L Salazar et al., 2011). For example, companies that invest in clean technology or environmentally friendly operating practices often find new ways to reduce costs, create added value for their products or services, and strengthen brand reputation in the eyes of consumers and investors. (Blackman et al., 2013). On the other hand, investors are increasingly applying ESG criteria in their analysis, marking preferences for entities that show commitment to sustainability. This creates an environment in which access to capital becomes more conditioned by sustainable performance, making sustainable finance not only essential for risk mitigation but also as a key factor in ensuring business survival and growth in the future. (Hillier et al., 2011). However, many companies are still struggling to implement this approach due to the limitations of knowledge, cost, and organizational readiness to change. Therefore, there is a need for a proper strategy in sustainable financial management.

This research aims to look further into sustainable financial strategies that can be applied in various business models, and their implementation. Therefore, an in-depth understanding of the concept of sustainable finance and its application in business settings is a critical element in helping to adapt and thrive in this time of change.

Research Method

The research methods carried out on this study use literature studies. Literary research method is an approach in research that relies on a written documented source of data to dig information about a research topic or problem. (Rahardjo, 2011; Umar, 2002). This practice involves the collection, investigation, and analysis of various relevant sources, such as books, journal articles, research reports, and other published sources that can be the basis for research arguments or hypotheses. (Bungin, 2001; Moleong, 2007). Steps in literary research include searching for relevant keywords, selecting appropriate sources, recording relevant data, and synthesizing the information found to build a coherent narrative in research. This type of research is crucial, especially in determining the background of the problem, developing the theoretical framework, and formulating the methodological basis for further research. (Arikunto, 2013; Reay, 2014).

Result and Discussion

Sustainable Finance and Business Survival

Sustainable finance is a concept and practice in the financial system where investment, financing, and financial operational decisions are taken taking into account their impact on the environment, social, and good governance (ESG). (Cunha et al., 2021). Its primary objective is to create long-term value, not only in financial terms but also a positive contribution to environmental stability, social well-being, and fair and transparent governance. (Schoenmaker, D., & Schramade, W. 2018). Thus, sustainable finance supports transition efforts towards a greener and more inclusive economy, promoting sustainable use of resources and responsible investment, while identifying and mitigating risks associated with ESG factors in economic activity. It covers a wide range of practices from environmentally friendly project financing, sustainable investment, to ESG risk management in investment portfolios. (Fatemi, A. M., & Fooladi, I. J. 2013).

The principles of sustainable finance revolve around integrating environmental, social, and corporate governance (ESG) considerations into the financial decision-making process. (Liang, H., & Renneboog, L. 2020). Basic principles include transparency, accountability, and sustainability. Transparency requires clear and accurate reporting of the financial and non-financial impact of corporate activities, while accountable emphasizes corporate responsibility for its impact on the environment and society. (Finance, S. S. 2018). Sustainability, on the other hand, leads to decision-making that takes into account the long-term impact on natural resources, public well-being, and economic resilience. These principles encourage economic entities to reevaluate their strategies with the aim not only to create financial benefits, but also to have a positive impact on the environment and society. (Edmans, A., & Kacperczyk, M. 2022).

The sustainable financing component covers a range of economic instruments and practices aimed at achieving ESG goals. These include, among other things, sustainable investments that select assets based on ESG criteria, green financing that allocates funds to environmentally positive projects, such as renewable energy and energy efficiency, and social bonds that fund initiatives with significant social benefits (Schumacher et al., 2020). Other components are ESG risk considerations in credit and investment analysis, which aim to identify and manage potential risks related to environmental, social, or governance failures. Effective implementation of these components not only reduces risks, but also opens up access to new and profitable investment opportunities. (Ziolo et al., 2021).

Thus, sustainable finance represents an important evolution in the financial sector that recognizes the importance of environmental, social and governance factors in shaping a strong and sustainable economic ecosystem. The principles of transparency, accountability, and sustainability, together with the practical application of components such as sustainable investment and green finance, mark a shift towards a more inclusive and responsible approach to economics. In the long run, sustainable integration of finance into business and investment strategies will not only benefit the environment and society, but also provide sustainable financial benefits and strengthen the resilience of the global economy.

Sustainable finance has a significant impact on business performance, both in the short and long term. By prioritizing investments in projects and initiatives that are in line with environmental, social, and governance (ESG) standards, companies not only demonstrate their social responsibility but also enhance their reputation in the eyes of consumers, investors, and other stakeholders. (Robinson, M. 2001). It can be a powerful competitive differentiator, enabling companies to attract customers who are increasingly aware of sustainability issues. On the risk side, sustainable finance also helps companies identify and manage ESG risks that can have a negative impact on the company's value. This risk mitigation not only reduces potential financial losses but also supports business resilience to changing market conditions and regulatory demands related to sustainability. (Jeucken, M. 2010).

In addition, financial sustainability plays a role in ensuring long-term business sustainability. Companies that integrate sustainable financial principles into their strategies are often more innovative in developing new products and services that are environmentally friendly and have a positive social impact. (Ziolo et al., 2021). These innovations open up new market opportunities and sources of revenue, which in turn can improve financial performance. In addition, by focusing on sustainability, companies can more easily access new forms of financing, such as green bonds and syndicated credit that focus on ESG, which often offer more favourable conditions due to lower risk. Employees also tend to be more loyal and productive when working in companies that show commitment to environmental and social issues, lower turnover costs and increase efficiency. (Schoenmaker, D., & Schramade, W. 2018).

Therefore, sustainable financial integration into business operations has a strong influence on improved performance and security of business survival. Applying ESG principles not only helps mitigate risk and improve reputation but also serves as a catalyst for innovation, market growth, and employee attachment. Thus, companies that apply sustainable finance approaches tend to be more resilient and future-oriented in a growing global economy that is increasingly demanding sustainability.

Sustainable financial strategies that can be applied in a variety of business models

Financial strategy is a comprehensive approach to how an organization or individual acquires, manages, and uses financial resources to a set goal. (Chopra et al., 2021). It involves analysis of cost structures, potential profit projections, as well as accounting and fund management functions, with the primary objective of harmonizing financial management in line with the overall objectives to be achieved. (Bansal, P., & DesJardine, M. R. 2014).

A business model is a strategic framework used by companies to identify ways in which they can create, provide, and capture value in a particular market or industry context. It covers everything from target market identification, product or service offerings, revenue mechanisms, to operational structures that support the delivery of value to customers, while optimizing profits. (Schaltegger et al., 2016). This model aims to explain how an organization interacts with its customers, competes in the market, and generates revenues sustainably, making it a critical aspect in defining overall business strategy and long-term success. (Bansal et al., 2021).

In an increasingly competitive and dynamic business context, adopting sustainable financial strategies is key for companies to not only survive but also thrive. One of the sustainable financial strategies is income diversification. (Bender, R. 2013). Companies can reduce their dependence on a single source of income by finding and developing new income flows through product or service innovation, market expansion, or even through smart investments in other economic assets or activities. This diversification allows companies to be more flexible in the face of market fluctuations and increase financial resilience in the long term. (ALEKSEEV et al., 2018).

Furthermore, operational efficiency is also a vital sustainable financial strategy. By increasing efficiency, whether through process optimization, the use of technology, or better resource management, companies can reduce their operating costs. (Smith et al., 2011). Reducing operating costs not only increases profit margins but also gives room for investment in sustainable initiatives or further development (L Salazar et al., 2021).

Implementation of lean management practices and adoption of technologies such as automation and data analytics can be driving factors in achieving this efficiency.

Risk management also plays an important role in sustainable financial strategies. Identifying, evaluating, and managing risk proactively is a step that every company should take to ensure financial resilience. These include market risk, operational risk, credit risk, even environmental risk. (Blackman et al., 2013). Through effective risk management, companies can minimize the negative impact of external and internal uncertainty, ensuring sustained financial stability.

Thus, the implementation of sustainable financial strategies is the key to the long-term success of any business. Revenue diversification, operational efficiency, and proactive risk management not only provide a strong foundation for sustainable growth, but also put companies in a better position to face challenges and take advantage of future opportunities. By focusing on this strategic approach, companies can increase their resilience to market volatility, while still meeting the needs of customers and other stakeholders effectively.

Implementing a Sustainable Financial Strategy

Cost and benefit analysis

Cost-benefit analysis is a systematic process used to evaluate the benefits and costs of a project or business decision (Štreimikienė et al., 2023). This process involves identifying, quantifying, and comparing the total cost to be spent with the financial and non-financial benefits expected to be obtained. By analyzing these variables, companies can make more informed decisions about the allocation of their resources. (Cunha et al., 2021). The use of this analysis is important in the decision-making process, as it helps in identifying the options that provide the best value for the company, taking into account both short- and long-term factors, as well as the potential impact on stakeholders. (Yakovlev, I. A., & Nikulina, S. I. 2019).

Thus, cost-benefit analysis is an important tool in business decision-making strategies because it provides an objective framework for assessing the economic effectiveness of a project or investment. By directly comparing the costs incurred with the benefits obtained, can identify and implement solutions that are not only cost-effective but also deliver maximum benefits. Therefore, the application of this analysis is crucial in guiding company growth and achieving long-term financial sustainability.

Effects on business operations

Effective implementation of cost-benefit analysis can have a significant impact on business operations, giving a positive impact on decision-making and resource efficiency (Nesterenko et al., 2023). Through this in-depth analysis, companies can identify processes or activities that do not provide adequate added value and allocate their resources to more profitable areas. It also helps in optimizing budgets in a more strategic way, reducing waste and increasing productivity. This analysis plays an important role in highlighting the correlation between input and output, thus facilitating sustainable improvement in daily operations and helping in prioritizing projects and business initiatives. (Acheampong et al., 2023).

The impact of cost-benefit analysis on business operations is highly transformative. This process not only improves transparency and accountability in the use of company resources, but also promotes smarter investment decisions and more efficient cost management. Thus, companies can improve their operational sustainability, adapt to changing market conditions, and improve overall business performance. In other words, cost-benefit analysis is key to achieving operational efficiency and competitive advantage in a dynamic business environment.

Adapting to changing markets and regulations

Adapting to changing markets and regulations is both a challenge and a necessity for in this era of globalization and digitalization. Dynamic changes in consumer preferences, new technologies, and increasingly strict regulations force companies to continue to innovate and revise their operating models. (Skare et al., 2023). The ability to adapt quickly not only avoids from the risk of losing market share or being subjected to legal sanctions, but also opens up opportunities to strengthen competitive positions through offering more relevant products or services. These adaptations often require investments in research and development, employee training, as well as IT and operational infrastructure upgrades to ensure optimal compliance and efficiency (Bužinskė, J., & Stankevičienė, J. 2023).

Thus, adaptation to market and regulatory changes is a crucial component of a successful business strategy. By keeping flexibility and proactivity in the face of change, companies can not only maintain competitiveness, but also leverage market dynamics as an opportunity for innovation and growth (Oprisan et al., 2023). The importance of adapting well to these changing conditions requires a holistic approach, involving all organizational aspects, from product development to marketing and compliance, thus ensuring business sustainability and progress in an ever-changing environment. (Bugdol et al., 2023).

Ability to adapt to changing markets and regulations is essential for business survival and growth. In an ever-changing environment, flexibility and responsiveness are key to not only surviving existing challenges, but also to identifying and seizing new opportunities that emerge as a result of such dynamics. An organization that successfully integrates adaptation as part of its core strategy will be better prepared to face uncertainty, strengthen its competitive position, and use innovation as a means of achieving long-term success. In conclusion, adaptation is not just about meeting current needs, but also about defining the future of business in a competitive global market.

Conclusion

Navigating the future of business using sustainable financial strategies is an important and impactful approach to achieving long-term success. This strategy involves an in-depth assessment of the environmental and social impact of company operations and investments aimed at reducing negative impacts as well as increasing social and environmental benefits.

In conclusion, sustainable finance enables organizations to adapt to present and future global challenges, ensuring harmonious economic growth with environmental protection and social well-being. As companies integrate Environmental, Social, Governance (ESG) practices into their operations and investment strategies, they not only contribute to more sustainable development but also increase their resilience and growth potential in markets that are increasingly aware of environmental and social sustainability issues.

References

Acheampong, S., Pimonenko, T., & Lyulyov, O. (2023). Sustainable Marketing Performance of Banks in the Digital Economy: The Role of Customer Relationship Management. Virtual Economics, 6(1), 19-37.

Agrawal, R., Wankhede, V. A., Kumar, A., Luthra, S., & Huisingh, D. (2022). Progress and trends in integrating Industry 4.0 within Circular Economy: A comprehensive literature review and future research propositions. Business Strategy and the Environment, 31(1), 559-579.

ALEKSEEV, A. N., EVDOKIMOV, S. Y., TARASOVA, A. Y., KHACHATURYAN, K. S., & KHACHATURYAN, A. A. (2018). Financial strategy of development of industry 4.0 in the countries with developing economy. Revista Espacios, 39(12).

Arikunto, S. (2013). Prosedur penelitian suatu pendekatan praktik.

Bansal, P., & DesJardine, M. R. (2014). Business sustainability: It is about time. Strategic organization, 12(1), 70-78.

Bansal, P., Grewatsch, S., & Sharma, G. (2021). How COVID-19 informs business sustainability research: It’s time for a systems perspective. Journal of Management Studies, 58(2), 602-606.

Bender, R. (2013). Corporate financial strategy. Routledge.

Blackman, I. D., Holland, C. P., & Westcott, T. (2013). Motorola's global financial supply chain strategy. Supply Chain Management: An International Journal, 18(2), 132-147.

Blowfield, M., & Blowfield, M. (2013). Business and sustainability. Oxford University Press.

Bugdol, M., Szromek, A. R., & Puciato, D. (2023). Proposal for the implementation of pro-environmental behaviours in the form of open eco-innovations–A perspective of consumers of hotel services. Journal of Open Innovation: Technology, Market, and Complexity, 9(2), 100059.

Bungin, B. (2001). Metodologi penelitian kualitatif.

Büyüközkan, G., & Karabulut, Y. (2018). Sustainability performance evaluation: Literature review and future directions. Journal of environmental management, 217, 253-267.
Bužinskė, J., & Stankevičienė, J. (2023). Analysis of success factors, benefits, and challenges of issuing green bonds in Lithuania. Economies, 11(5), 143.
Chopra, M., Saini, N., Kumar, S., Varma, A., Mangla, S. K., & Lim, W. M. (2021). Past, present, and future of knowledge management for business sustainability. *Journal of Cleaner Production*, *328*, 129592.
Cunha, F. A. F. D. S., Meira, E., & Orsato, R. J. (2021). Sustainable finance and investment: Review and research agenda. Business Strategy and the Environment, 30(8), 3821-3838.
Cunha, F. A. F. D. S., Meira, E., & Orsato, R. J. (2021). Sustainable finance and investment: Review and research agenda. Business Strategy and the Environment, 30(8), 3821-3838.
Edmans, A., & Kacperczyk, M. (2022). Sustainable finance. Review of Finance, 26(6), 1309-1313.
Fatemi, A. M., & Fooladi, I. J. (2013). Sustainable finance: A new paradigm. Global Finance Journal, 24(2), 101-113.
Finance, S. S. (2018). What is sustainable finance. Sustainable Development. Sustainable Development Goals, China.
Hillier, D., Grinblatt, M., & Titman, S. (2011). EBOOK: Financial Markets and Corporate Strategy: European Edition. McGraw Hill.
Jeucken, M. (2010). Sustainable finance and banking: The financial sector and the future of the planet. Routledge.
Liang, H., & Renneboog, L. (2020). Corporate social responsibility and sustainable finance: A review of the literature. European Corporate Governance Institute–Finance Working Paper, (701).
López Salazar, A., Contreras Soto, R., & Espinosa Mosqueda, R. (2012). The impact of financial decisions and strategy on small business competitiveness. Global Journal of business research, 6(2), 93-103.
Moleong, L. J. (2007). Metodologi penelitian kualitatif. Bandung: PT Remaja Rosdakarya, 103.
Nesterenko, V., Miskiewicz, R., & Abazov, R. (2023). Marketing communications in the era of digital transformation. Virtual Economics, 6(1), 57-70.
Oprisan, O., Pirciog, S., Ionascu, A. E., Lincaru, C., & Grigorescu, A. (2023). Economic Resilience and Sustainable Finance Path to Development and Convergence in Romanian Counties. Sustainability, 15(19), 14221.
Porter, T., & Derry, R. (2012). Sustainability and business in a complex world. Business and Society Review, 117(1), 33-53.
Preghenella, N., & Battistella, C. (2021). Exploring business models for sustainability: A bibliographic investigation of the literature and future research directions. Business Strategy and the Environment, 30(5), 2505-2522.
Rahardjo, M. (2011). Metode pengumpulan data penelitian kualitatif.
Reay, T. (2014). Publishing qualitative research. Sage Publications Sage CA: Los Angeles, CA.

Rezaee, Z. (2016). Business sustainability research: A theoretical and integrated perspective. Journal of Accounting literature, 36(1), 48-64.
Robinson, M. (2001). The microfinance revolution: Sustainable finance for the poor. World Bank Publications.
Schaltegger, S., Hansen, E. G., & Lüdeke-Freund, F. (2016). Business models for sustainability: Origins, present research, and future avenues. Organization & environment, 29(1), 3-10.
Schoenmaker, D., & Schramade, W. (2018). Principles of sustainable finance. Oxford University Press.
Schoenmaker, D., & Schramade, W. (2018). Principles of sustainable finance. Oxford University Press.
Schumacher, K., Chenet, H., & Volz, U. (2020). Sustainable finance in Japan. Journal of Sustainable Finance & Investment, 10(2), 213-246.
Skare, M., Gavurova, B., & Kovac, V. (2023). Investigation of selected key indicators of circular economy for implementation processes in sectorial dimensions. Journal of Innovation & Knowledge, 8(4), 100421.
Smith, J., Smith, R. L., Smith, R., & Bliss, R. (2011). Entrepreneurial finance: strategy, valuation, and deal structure. Stanford University Press.
Štreimikienė, D., Mikalauskienė, A., & Burbaitė, G. (2023). The role of sustainable finance in achieving sustainable development goals. Economics & sociology, 16(1), 271-298.
Umar, H. (2002). Metode riset bisnis: Panduan mahasiswa untuk melaksanakan riset dilengkapi contoh proposal dan hasil riset bidang manajemen dan akuntansi. Gramedia Pustaka Utama.
Veleva, V., & Ellenbecker, M. (2000). A proposal for measuring business sustainability: addressing shortcomings in existing frameworks. Greener Management International, (31), 101-120.
Yakovlev, I. A., & Nikulina, S. I. (2019). Indonesia's strategy for sustainable finance. Финансовый журнал, (6), 83-95.
Ziolo, M., Bak, I., & Cheba, K. (2021). The role of sustainable finance in achieving sustainable development goals: Does it work?. Technological and Economic Development of Economy, 27(1), 45-70.
Ziolo, M., Bak, I., & Cheba, K. (2021). The role of sustainable finance in achieving sustainable development goals: Does it work?. Technological and Economic Development of Economy, 27(1), 45-70.