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Commentary

Management of Financial Strategies and its Techniques

Isabelle Feldhaus*

Department of Economics and Statistics, Sorbonne University, Paris, France

DESCRIPTION

An organization's financial strategy is primarily concerned with the acquisition and implementation of finances. The primary goal is to ensure an adequate and consistent source of funds to meet the business's future requirements.

Financial strategy explores themes such as financial resources, cost structure analysis, profit potential estimation, accounting functions, and so on. In a business context, financial strategy is concerned with the availability, utilization, and management of finances. It focuses on aligning financial management with an organization's corporate and business objectives in order to acquire a strategic advantage.

Financial strategy aims to enhance a company's financial value. Through low-cost funding, financial strategy can provide a competitive advantage. Achieving the desired debt equity ratio by borrowing for long-term financial needs and generating cash flow internally is a critical issue in any financial strategy. According to studies, high debt levels correlate to increased production and cash flow. According to studies, diversification strategy has the greatest influence on financial strategy. For linked diversification, equity financing is considerably favored, but debt financing is preferred for unrelated diversification.

In general, financial strategies involve four broad areas stated below:

- Evaluating Financial Performance
- Financial Forecasting
- Capital Structure Planning
- Other Financial Considerations

Strategic financial management is not only managing a company's finances, and moreover managing them with the intention of achievement is, fulfilling the company's long-term goals and objectives while increasing shareholder value over time.

- Strategic financial management is concerned with generating long-term earnings for the company.
- It aims to maximize stakeholders return on investment.
- This would be in contrast to tactical management, which seeks to capitalize on short-term opportunities.
- A financial plan is long-term and strategic in scope.
- Strategic financial planning differs depending on the organisation, industry, and sector.

The elements of strategic financial management

A company should implement strategic financial management throughout its organisational activities, which include designing elements that will effectively and efficiently use the firm's financial resources. Since there is no another approach to the strategic management, each company will develop features that represent its own unique objectives and aspirations. Following are some of the most typical features of strategic financial management.

Planning

- Understand your requirements precisely.
- Determine and analyze existing and potential resources.
- Develop a complete corporate finance plan.

Budgeting

- Enhance the company's financial efficiency and waste reduction.
- Evaluate which areas have the highest operational costs or surpass the allocated cost.
- Maintain adequate money to pay operating expenses without relying on external resources.
- Analyze areas where a company's earnings might be invested more effectively to meet goals.

Managing and assessing risk

- Identify, analyse, and reduce risk in investment decisions.
- Examine capital expenditures (CapEx) and workplace policies to determine the potential for financial vulnerability.
- Use risk measurements such as estimated degree of operating leverage, standard deviation, and value-at-risk (VaR) techniques.

Correspondence to: Isabelle Feldhaus, Department of Economics and Statistics, Sorbonne University, Paris, France, E-mail: ifeld46@gmail.com

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Based on industrial strategy

Financial management strategies vary not only from firm to company, but also by industry and sector. Firms operating in fast-growing areas, such as information technology or technical services, would desire to select growth plans that specify positive mobility. Their goals also include, for example, launching a new product or growing gross sales in the next 12 months. Companies in slow-growing industries, such as sugar manufacture or coal-power production, on the other hand, could set goals that focus on asset protection and expense management, such as cutting administrative costs at a particular percentage.