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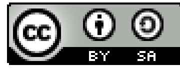

Financial Strengthening Strategies in Increasing Company Competitiveness Multinational

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Abstract

In the era of globalization, multinational companies face complex challenges and opportunities in various jurisdictions. Financial strengthening is a key strategy to increase a company's competitiveness in a dynamic global market. This research examines how efficient financial management, managing foreign exchange risks, optimizing capital structure, and investing in technology can support the stability and growth of multinational companies. Through in-depth literature analysis, this research highlights the importance of integrated and holistic financial strategies to ensure liquidity, reduce risks and maximize profits. With a sustainable and responsible approach, multinational companies can achieve competitive advantage and contribute to inclusive global economic development.

Keywords: Multinational companies, financial strategy, competitiveness, globalization, risk management

Introduction

In an era of increasingly intensive globalization, multinational companies face unprecedented challenges and opportunities (Schäfer et al., 2024). Globalization, as a phenomenon that blurs geographic boundaries, has encouraged companies to operate in various countries with different economic policies, regulations and business environments. Multinational companies (PMNs) not only have to compete with local companies in every market they enter, but also have to manage the operational and financial complexities that arise from operating in multiple jurisdictions.

Multinational companies throughout the world pay great attention to its formation European Communities, and has signed it North America Free Trade Agreement (NAFTA), and Asian Free Trade Agreement (AFTA). This important moment opens up market opportunities for multinational companies to operate in various countries (Manurung et al., 2015). Thus the company is open to foreign exchange risks, interest rates, politics and uncertainty. However, on the other hand, you are also open to the possibility of making a profit (Sartono, 2010).

For some multinational companies, the process of going international (globalization) did not arise in an accidental way. The globalization process is the result of a series of company responses to various kinds of challenges and opportunities that arise randomly abroad. Globalization is an inevitable result of competitive competition among oligopoly industry members. Every member tries to create and utilize superior production factors and products internationally and strive to reduce competitive threats from other industry members (Hendra & Ningrum, 2024). To face these challenges, companies are slowly increasing their commitment to international business, developing more detailed and sophisticated strategies. These stages typically include exporting, establishing an overseas sales branch, obtaining a licensing agreement, and finally manufacturing overseas (Zuraidah & Mu'is, 2021). By producing abroad, multinational companies can more easily keep up with market developments, adapt products to consumer tastes and provide better services (Prabowo & Korsakul, 2020).

One of the crucial aspects that determines the success of multinational companies is their financial strategy. Bakhri (2015), corporate finance includes various elements ranging from working capital management, currency risk management, to optimal capital structure. Effective management of these elements is not only important to ensure a company's liquidity and solvency, but also to increase its competitiveness and adaptability in a dynamic global market (Lang et al., 2024). Financial strengthening in this context includes a variety of strategies designed to increase operational efficiency, maximize profits and reduce risks. For example, the use of hedging to manage currency risk can protect a company's profits from unfavorable exchange rate fluctuations (Puspitaningtyas, 2017). In addition, optimizing the capital structure through the right combination of debt and equity can reduce the cost of capital and increase company value. The financial strengthening strategy also includes innovation in asset and liquidity management, such as the use of financial technology (fintech) to increase the efficiency of financial transactions and data analysis for more precise decision making (Noreen, 2020).

Multinational companies must ensure that their financial strategies support innovation, investment in research and development (R&D), and market expansion. This is important to maintain a competitive advantage in a highly competitive market (Trisnawati et al., 2023). Thus, a strong financial strategy is not only the basis for a company's financial stability but also a key driver for long-term growth and sustainability. Sari (2021) The increasingly fierce global competition also requires companies to adapt quickly to market changes. This includes the ability to conduct mergers and acquisitions (M&A) efficiently, access international capital

markets for funding, and manage a diversified investment portfolio. All of this requires an integrated and holistic financial strategy.

Literature Review

Research by Hasnah (2022), regarding the International Financial Working System explains that international financial management includes planning, organizing and controlling finances. The main focus is on Multinational Corporations (MNC), which are companies that operate globally. MNC finance is defined as a system of monetary relations that supports MNC economic activities and is necessary for the accumulation, allocation and efficient use of capital funds and income.

MNC finance is considered a special system because it not only ensures the smooth functioning of the corporation, but also its effective development and allocation is highly dependent on world market conditions (Yanuarsa et al., 2021). More importantly, the MNC financial system influences the state of the national economy and overall global finance. As such, MNCs play a crucial role in the global economy, where they not only navigate but also shape the dynamics of international financial markets.

Thus, focusing on strengthening finances is an essential strategic step for multinational companies to increase their competitiveness. This approach not only ensures business continuity in the short term but also prepares the company to face future challenges more resiliently and innovatively. Through a financial strategy strong, multinational companies can achieve sustainable growth, expand market reach, and strengthen their position in global competition(Sari, 2021).

Research Method

This research uses a literature study method, by examining various sources from academic journals, books and industry reports that are relevant to the topic. The main focus is on identifying financial strategies that have proven effective in the context of multinational companies. Sugiyono (2019), This research uses a qualitative methodology by obtaining data from literature studies using secondary data, which is completed by completing a literature review and concluding the article. Namely recording all observations regarding the price concept in each research discussion from the literature and sources from literature, bookstores and magazines. After recording, secondly, combine all observations, thirdly, analyze all observations from various readings relating to the shortcomings, advantages or relationship of each source to the speech contained in it. Apart from that, in this research the author uses a critical discussion approach from the author's perspective and supports literature searches, citations, expert opinions and previous findings related to the topic. The sources of information that researchers collected were not only basic information obtained from previous research in scientific articles, but also theories that consider what a good marketing strategy is in the Indonesian global market and what factors encourage the development of companies in the global market.

Result and Discussion

Financial management

Financial management is the totality of activities carried out by business entities to obtain financial resources at the lowest prices, use, and distribute it efficiently. This involves several important tasks:

1. Determining the Funding Structure: After plans and estimates have been made, the company must determine the funding structure. It includes a combination of debt and equity used to fund profitable future investment opportunities. A good funding structure ensures that the company has sufficient funds to expand, increase revenue, and improve operations. Good liquidity also helps companies survive in global competition.
2. Investment of Funds: Financial managers must ensure that available funds are used effectively to develop the company. They must compare acquisition costs with return value and focus on business areas that can increase revenue and improve less efficient operations.
3. Maintain Appropriate Liquidity: Cash is an important asset for maintaining liquidity. Businesses need cash to purchase raw materials, pay salaries and other financial needs. Financial managers must ensure that there are enough liquid assets to meet these needs and avoid capital shortages.
4. Additional Management: Selling excess assets and reinvesting them productively can increase profitability and return on invested capital.
5. Financial Control: It involves analyzing the actual results of the company from different perspectives and comparing them with the short, medium and long term goals set in the business plan. Financial controls help ensure that a company stays on track to achieve financial goals.

Competitiveness in the context of multinational companies refers to a company's ability to maintain and expand market share in a competitive global environment. This competitiveness is influenced by various factors, including the financial strategy implemented by the company.

Here are some ways financial strategies can increase power competition:

1. Efficient Cash Management: Managing cash effectively ensures the company has sufficient liquidity for daily operations and can take advantage of investment opportunities. This also helps avoid liquidity crises that could disrupt operations.
2. Capital Structure Optimization: Determining the optimal combination of debt and equity can reduce the cost of capital and increase profitability. A healthy capital structure can also improve a company's credit rating, allowing access to funding at lower costs.
3. Foreign Exchange Risk Management: Multinational companies often operate in various countries with different currencies. Effective hedging and foreign exchange risk management strategies can protect companies from adverse exchange rate fluctuations.

4. Investment in Technology and Innovation: Allocating funds for technology and innovation can improve operational efficiency and create superior products or services, increasing competitiveness in the global market.
5. Efficient Tax Strategy: Managing tax obligations effectively, including taking advantage of international tax treaties and local tax incentives, can reduce tax burdens and increase net profits.
6. Diversification of Income Sources: Developing diverse income sources in various markets can reduce risks and increase financial stability, strengthening the company's competitiveness in the long term.
7. Merger and Acquisition Strategy: Carrying out strategic mergers and acquisitions can expand market reach, strengthen position in the industry, and achieve operational synergies that increase efficiency and profitability.

Multinational companies, often referred to as cross-border companies, are business entities that have a presence in more than one country. They have production facilities, branch offices, or subsidiaries in various locations around the world. This allows them to run extensive operations globally, including production, distribution, marketing and customer service.

A multinational company's global presence can take many forms, from small offices and production facilities to complex networks of independently managed subsidiaries in each country. This approach allows companies to adapt their business strategies to local conditions in each market, creating products and services that suit local consumer needs and preferences.

Multinational companies are often large in scale, with strong financial and technological resources, and a broad global reach. They can take advantage of economies of scale to reduce production costs and increase operational efficiency. In addition, these companies often have access to diverse and talented human resources from different countries, enabling them to develop innovations and apply best practices globally. (Menne et al., 2024)

Not only do they impact the global economy through contributions to the gross domestic product (GDP) of the countries in which they operate,

Multinational companies also have a significant influence on international trade, investment flows, and overall global economic growth. They are often the main drivers of economic growth in several countries, creating jobs, transferring technology, and raising living standards in the areas where they operate.

However, multinational companies are also faced with complex challenges and risks. Differences in regulations, policies, culture and currencies in the various markets in which they operate can be obstacles to efficient and successful operations. In addition, they often face pressure from various parties, including governments, non-governmental organizations (NGOs), and civil society, regarding issues such as taxes, the environment, human rights, and employment.

In facing these challenges, multinational companies must develop sustainable and responsible business strategies, taking into account the interests of all stakeholders and taking into account the social, environmental and economic impacts of their activities. This includes

the implementation of sustainable, transparent and ethical business practices, as well as active involvement in sustainable development and corporate social responsibility (CSR) initiatives. In this way, multinational companies can be a positive force in driving inclusive economic growth and sustainable development throughout the world.

Conclusion

Overall, a multinational corporation is a business entity that has a presence in more than one country, running broad global operations including production, distribution, and marketing. They have a significant impact on the global economy through contributions to the GDP of the countries in which they operate, as well as through their influence on international trade and overall global economic growth. However, multinational companies are also faced with complex challenges such as differences in regulations, policies, culture and currency across the markets in which they operate, as well as pressure from various stakeholders regarding environmental, social and economic issues. Thus, multinational companies need to develop sustainable and responsible business strategies, taking into account the social, environmental and economic impacts of their activities. This includes the implementation of sustainable, transparent and ethical business practices, as well as active involvement in sustainable development and corporate social responsibility initiatives. By doing this, multinational companies can become a positive force in driving inclusive economic growth and sustainable development throughout the world.

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