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- **PART1:Putting Financial Strategy in context; definition, goals, linking strategy and Financial strategy**

The aim of a company is to create value for its shareholders. Although other stakeholders are important, the shareholder is the principal stakeholder, and creation of sustainable shareholder value is the main objective. In order to create this value, the company has to create a competitive advantage to exploit inconsistencies in the markets in which it operates – both its trading environment and its financial environment.

An understanding of corporate value is impossible without addressing the issues of perceived risk and required return.

1/ Definition of Financial Strategy

A finance strategy is a comprehensive plan that outlines how a business or organization will manage its financial resources to achieve its objectives. It involves a detailed analysis and decision-making process related to the acquisition, allocation, and management of financial assets and liabilities to maximize value for stakeholders.

The core components of a corporate finance strategy are:

- Resource allocation
- Capital structure
- Investment decisions
- Risk management
- Financial forecasting and planning

- Liquidity management

we define financial strategy as having two components:

(1) the raising of funds needed by an organization in the most appropriate manner
(2) managing the employment of those funds within the organization, including the decision to reinvest or distribute any subsequent profits generated.

We examine the relationship between these factors; note that different stakeholders may have different risk perceptions; and define ‘ value ’ as relating to returns generated in excess of the required return. This latter point means that value is only created by investments generating a positive net present value (NPV). Following from this, three metrics of value calculation are introduced; two relating to ‘ internal ’ value of the business, and one which shows value to the investor.