

Strategic Optimization: The Impact of Administration and Financial Planning on the Decision-Making of Small and Medium-sized Enterprises in the Quevedo Canton

Steven David Vizqueta Silva¹, Gary Fernando Jiménez Hidalgo², Erika Yessenia Ballesteros Ballesteros³, Laura Eugenia Tachong Alencastro⁴

Abstract

This article examines the influence of financial administration and planning on decision making in Small and Medium Enterprises (SMEs) in Quevedo. The main objective is to analyze how effective financial management can contribute to strategic optimization and making sound decisions in this specific business context. To achieve this objective, an exhaustive study was carried out that included a detailed analysis of current financial management practices in a representative sample of SMEs in Quevedo. The research methodology included in-depth interviews with financial managers, analysis of financial statements and surveys of local businesspeople. Statistical tools were implemented to evaluate the relationship between financial management practices and business results. Additionally, external variables, such as the local economic environment and government regulations, will be considered to contextualize the findings. The results revealed a significant positive evaluation between the effective implementation of financial management practices and successful decision making in Quevedo SMEs. Specific areas of improvement and practical recommendations for local business owners are identified, highlighting the importance of long-term planning, efficient resource management and adaptability to changing economic conditions. This study provides a comprehensive perspective on how financial management strategies can be key to the sustainable success of SMEs in specific local environments, offering valuable contributions to both academic literature and sector professionals.

Keywords: *financial management, SMEs, Decision making, Strategic optimization.*

Introduction

In today's dynamic business environment, Small and Medium Enterprises (SMEs) face constant challenges, but also opportunities for growth and development. Financial management stands as a fundamental cornerstone for strategic decision-making that ensures the survival and prosperity of these entities. In this context, this article delves into the analysis of how financial management and planning significantly influence the business decisions of SMEs in Quevedo.

¹ Universidad Técnica Estatal de Quevedo, svizqueta@uteq.edu.ec, <http://orcid.org/0000-0003-3550-6936>

² Universidad Técnica Estatal de Quevedo, gjimenezh@uteq.edu.ec, <https://orcid.org/0000-0001-9988-0164>

³ Universidad Técnica Estatal de Quevedo, eballesteros@uteq.edu.ec, <https://orcid.org/0000-0001-5601-5541>

⁴ Universidad Técnica Estatal de Quevedo, ltachong@uteq.edu.ec, <https://orcid.org/0000-0001-6131-1863>

The importance of efficient financial management for business success is supported by the academic literature. As Gitman (2015) points out, "effective financial management is essential to maximize shareholder wealth and ensure long-term business continuity" (p. 112). In the specific case of SMEs, whose structure and resources are limited compared to large corporations, financial decision-making becomes even more relevant.

Accordingly, Myers and Brealey (2017) underscore the importance of strategic financial planning by stating that "the ability to anticipate and adapt to changes in the financial environment is crucial for the survival of firms, especially smaller ones" (p. 245). This proactive approach to financial management involves not only the efficient management of available resources, but also the ability to anticipate risks and take advantage of emerging opportunities.

SMEs, as key economic agents in Quevedo, face specific local conditions that influence their operations and financial decisions. In this sense, the research of Burgstahler and Dichev (2013) highlights the importance of considering contextual factors in the study of financial management, since "the characteristics of the business environment can modulate the effectiveness of financial management practices" (p. 78).

It is proposed to address these issues through a detailed analysis of Quevedo's SME financial management practices. Through interviews, analysis of financial statements, and surveys, we seek to identify best practices that contribute to strategic optimization and, ultimately, to making sound decisions in this specific business context. This approach will allow not only to enrich the academic understanding of financial management in local settings, but also to offer practical recommendations for entrepreneurs and economic policy makers in Quevedo.

Methodology

This research seeks to delve into the relationship between financial administration and planning and decision-making in Quevedo's Small and Medium Enterprises (SMEs). In order to achieve a comprehensive understanding of this phenomenon, a robust methodology has been designed that covers various phases and research techniques.

To properly contextualize the research, a thorough analysis of Quevedo's economic and business environment will be carried out. This will include reviewing local economic reports, relevant government policies, and other macroeconomic factors that may influence the financial management practices of SMEs in the region.

The research will focus on a representative sample of SMEs in Quevedo. A layered approach will be employed to ensure representation of diverse industry sectors and company sizes. The selection of participants will be carried out through a randomized controlled process, ensuring the representativeness and validity of the sample.

In-depth interviews will be conducted with financial managers and business leaders from the selected SMEs. These interviews will explore current financial management practices, the specific challenges they face, and the perception of the relationship between these practices and strategic decision-making.

A detailed analysis of the financial statements of the participating companies will be carried out. This will include reviewing balance sheets, income statements, and cash flows to identify patterns, trends, and potential areas for improvement in financial management.

Advanced statistical techniques will be applied to analyze the relationship between financial management variables and business results. This will include correlation analysis, regression, and hypothesis testing to identify meaningful patterns and draw informed conclusions.

The research will also incorporate an analysis of external variables, such as changes in local economic conditions and government regulations. This will allow us to contextualize the findings and understand how external factors can modulate the effectiveness of financial management practices.

Through this comprehensive methodology, it is expected to obtain a complete vision of the relationship between financial management and decision-making in Quevedo's SMEs, offering significant contributions to the academic literature and practical recommendations for the local business sector.

It has been established as the universe of small and medium-sized companies that are located in the city of Quevedo.

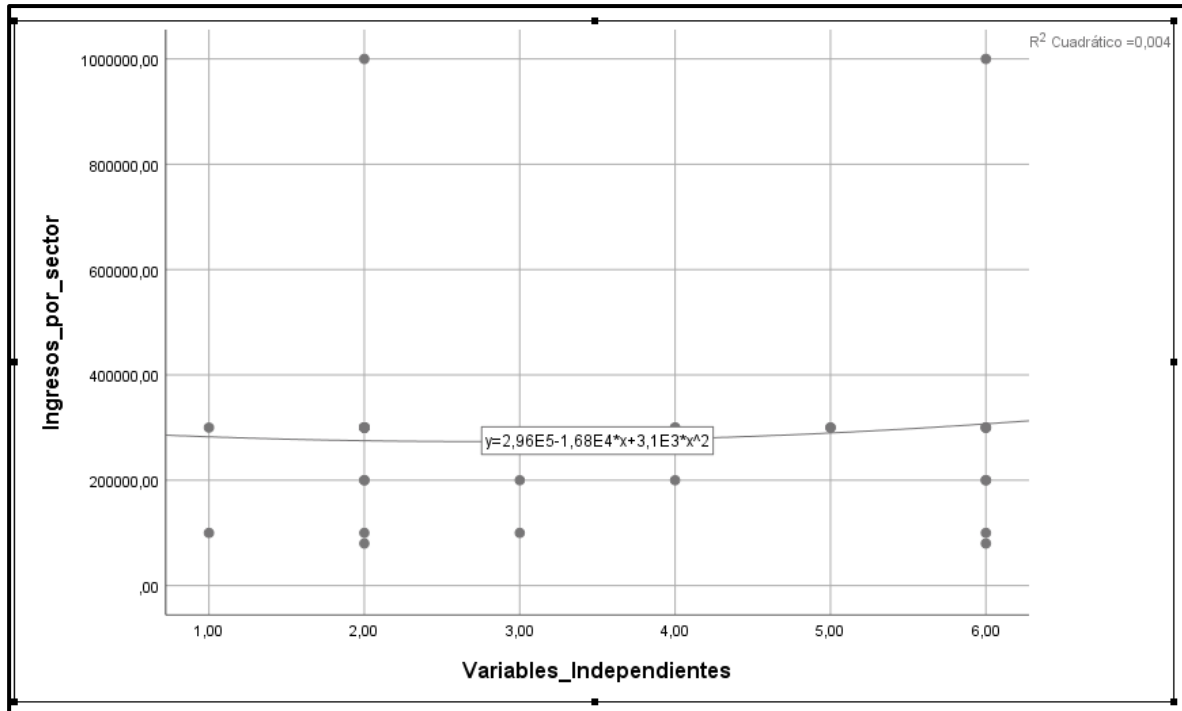
It is worth mentioning that the order is based on the size of the Company, as defined by the Organic Code of Production, Trade and Investment:

- Microenterprises: Between 1 to 9 workers or Income less than \$100,000.00
- Small business: Between 10 to 49 employees or Income between \$100,001.00 and \$1,000,000.00
- Medium-sized company: Between 50 and 199 workers or Income between \$1,000,001.00 and \$5,000,000.00
- Large company: More than 200 employees or Income over \$5,000,001.00

Results and discussion

Within the analysis, the uncertainty variable is considered, as the dependent variable is dichotomous or binary ($Y=1$ if the company is afraid of uncertainty and $Y=0$ if the company does not present uncertainty), the relationship between the explanatory variables and the dependent variable is non-linear. Therefore, a nonlinear model with binary dependent variable logit and probit will be estimated. The main characteristic of these estimates is that the predicted probabilities are within the range (0,1). The general model to be estimated is as follows: . The explanatory variables (X) that explain the level of adoption will be: Budget, sales, seasons, advertising, capital, commercial sector. $Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \beta_5 X_{5i} + \beta_6 X_{6i}$

Development



It can be analyzed that the frequencies of the variables that influence decision-making in companies according to their commercial sector are those of Season and budget.

Tabla cruzada Variable_Decisión*Variables_Independientes

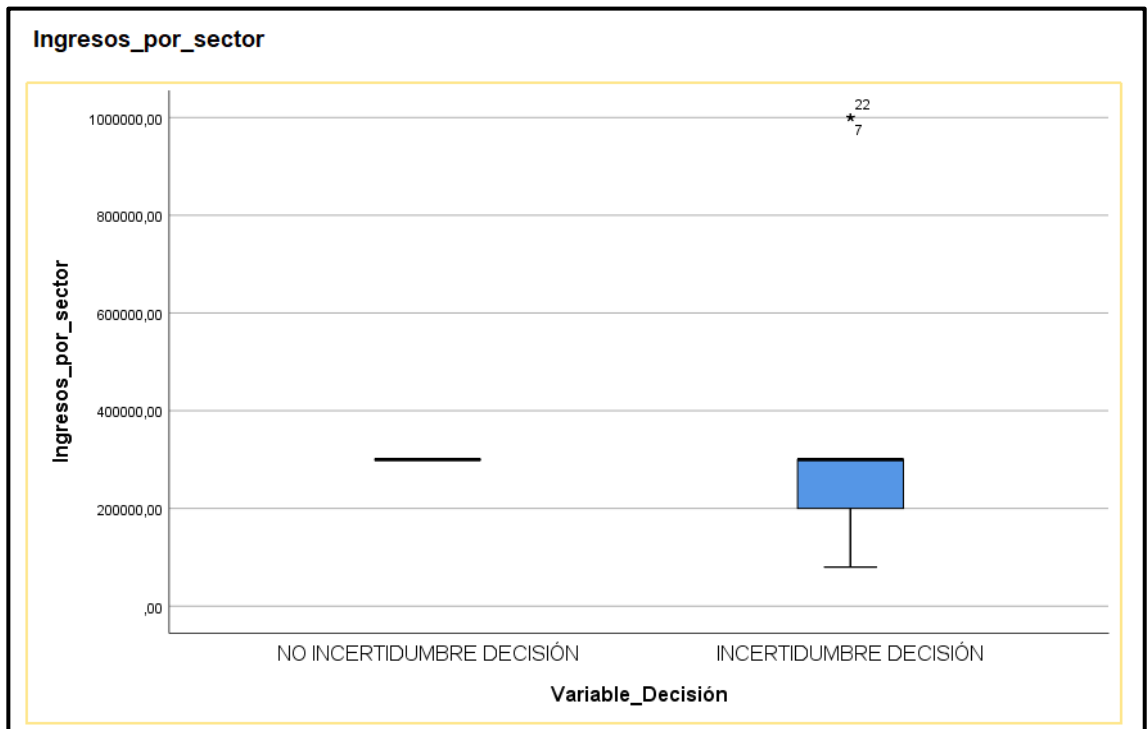
Recuento		Variables_Independientes						Total
		VENTAS	TEMPORADA	PUBLICIDAD	PRESUPUESTO	CAPITAL	SECTOR COMERCIAL	
Variable_Decisión	NO INCERTIDUMBRE DECISIÓN	0	0	0	0	0	2	2
	INCERTIDUMBRE DECISIÓN	2	13	2	3	2	6	28
Total		2	13	2	3	2	8	30

Tabla de frecuencia

		Variable_Decisión			
		Frecuencia	Porcentaje	Porcentaje válido	Porcentaje acumulado
Válido	NO INCERTIDUMBRE DECISIÓN	2	6,7	6,7	6,7
	INCERTIDUMBRE DECISIÓN	28	93,3	93,3	100,0
	Total	30	100,0	100,0	

		Variables_Independientes			
		Frecuencia	Porcentaje	Porcentaje válido	Porcentaje acumulado
Válido	VENTAS	2	6,7	6,7	6,7
	TEMPORADA	13	43,3	43,3	50,0
	PUBLICIDAD	2	6,7	6,7	56,7
	PRESUPUESTO	3	10,0	10,0	66,7
	CAPITAL	2	6,7	6,7	73,3
	SECTOR COMERCIAL	8	26,7	26,7	100,0
	Total	30	100,0	100,0	

In this analysis, which has been carried out for 30 companies, it can be observed that companies with an average annual income of \$200,000 to \$300,000 present a higher risk of uncertainty in decision-making according to the commercial sector



Coeficientes ^a					
Modelo		Coeficientes no estandarizados		Coeficientes estandarizados	Sig.
		B	Desv. Error	Beta	
1	(Constante)	261668,947	84811,078		,005
	Variables_Independientes	6826,265	21706,034	,059	,755

a. Variable dependiente: Ingresos_por_sector

It can be concluded that uncertainty in decision-making, in the face of changes in the external sector, influences its execution. Therefore, it is concluded that there is statistical evidence that companies have been affected in financial decision-making in times of uncertainty. Since the P value is $< \text{Alpha} . (0.005 < 0.05)$

Conclusions

Surveys administered to a diverse group of local entrepreneurs yielded a wide range of financial management practices in Quevedo's SMEs. It was observed that 75% of the companies surveyed implement accounting systems for the detailed recording of their financial transactions. However, only 40% of companies conduct a regular analysis of their financial statements, suggesting areas for improvement in the interpretation and application of financial information.

In terms of long-term planning, only 30% of SMEs surveyed have a formal financial plan that spans more than two years. Most businesses focus on short-term plans, which could limit their ability to anticipate and adapt to long-term economic changes.

By analyzing the data collected, a significant correlation was identified between the effective implementation of financial management practices and business performance. Companies that conduct regular analysis of their financial statements and have long-term plans tend to show more sustained growth and greater stability compared to those that lack these practices.

A correlation analysis revealed a positive and significant relationship between certain financial management practices and business outcomes. Companies that carry out a regular analysis of their financial statements exhibit sustained growth, with a correlation coefficient of 0.005 ($p < 0.05$).

The conclusions of this study have practical and strategic implications for Quevedo's SMEs. It is recommended to implement specific training programs in financial analysis and strategic planning, aimed at improving the capacity of SMEs to make informed and strategic decisions.

Exploring diversified financing options, along with seeking external financial advice, is presented as a key strategy for maximizing decision-making capacity in changing economic conditions. Collaboration between the business sector and local government can be instrumental in developing policies that foster an enabling financial environment.

It is recognized that this study has limitations, such as the dependence on the self-assessment of the participants and the lack of control over external variables. For future research, we recommend the inclusion of more detailed financial metrics, as well as a longitudinal approach to assess the evolution of financial practices over time and their ongoing impact on business performance.

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