

Creating a Company Strategy

By Armen Ekmekji

There are many ways to develop a company strategy that can be employed, depending on the situation and the resources available. This article aims to get you started on your plan.

We live in a world where decision-making is inevitable. Whether we are deciding how to spend our money, how to manage our time, or even how to solve a conflict, strategy is the foundation upon which these decisions are built. A strategy is a plan of action intended to achieve a specific goal or purpose. Let's explore the concept of strategy in detail, examining its various components and analyzing how it can be used for success.

Strategy consists of a set of objectives focused on gaining and sustaining a competitive advantage, leading to superior performance, relative to competitors in a given industry. With ongoing economic volatility and changing social conditions, it is imperative to have a strategic planning process to regularly assess your firm's performance amidst internal conflicts and external pressures. A strategic plan is important to focus company resources and efforts toward a common objective and should be dynamic enough to adapt to changing circumstances.

There are several ways to develop a strategic plan. The "AFI Strategy Framework" is a standard method that brings together three

mutually reliant areas of a business to create and implement a strategic plan.

- **Analysis** – Company visions, mission, and values. Internal and External analysis.
- **Formulation** – Competitive differentiation. Functional, business, and corporate strategies.
- **Implementation** – Organizational design, culture, and corporate governance.

Using a strategic framework, organizations can chart a course to effectively pursue goals and measure progress. The AFI Framework is a way to help your firm with its own scenario planning.

External Analysis

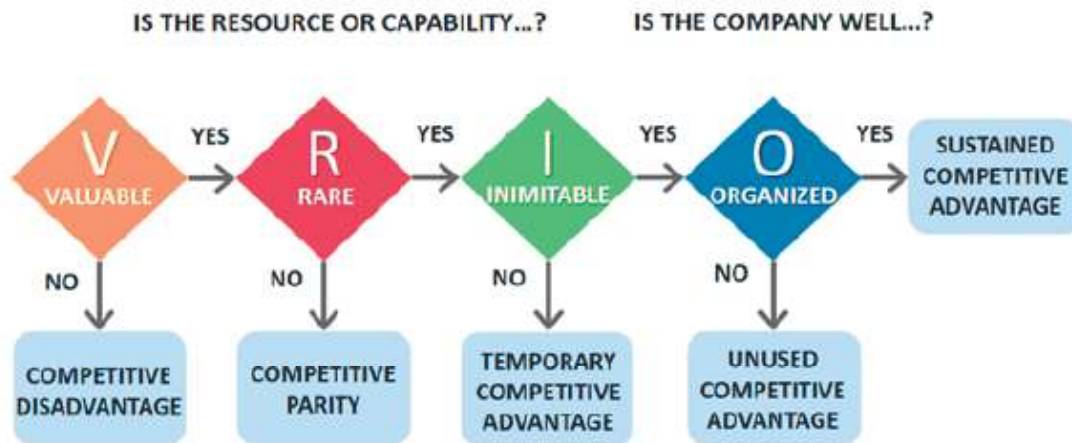
Using the PESTLE technique, you can assess Political, Economic, Social, Technological, Legal, and Environmental circumstances that may impact your business. Start here to establish the arena you are participating and use this information to summarize the opportunities and threats facing your business.



Internal Analysis

Identify your core competency to determine strategic fit. When you can bring this focus to your firm you can link capabilities, resources, and activities to leverage internal strengths and exploit opportunities. The VRIO technique is a simple way to help you reflect on your firm's worth. List the things that make your company

Valuable, Rare, difficult to Imitate, and Organized to maximize value. When you have all of these, you can establish your firm's strengths and weaknesses, and complete your SWOT analysis by combining the opportunities and threats from external analysis. The VRIO technique will also help you determine your firm's level of competitive advantage.



Formulation

In the formulation stage, you should first determine how your core competency creates a competitive advantage, then measure firm performance in pursuit of a sustained advantage. Do this by estimating your market share and understanding the shifts in the market that may interrupt your future position. This exercise should also highlight what differentiates your firm from your competition and whether you need to pivot your differentiation strategy, of which there are three:

- 1. Cost leadership strategy:** This involves becoming the low-cost provider in the market by reducing costs and increasing efficiency. This can be achieved through various means, such as economies of scale, use of technology, and process improvements.
- 2. Differentiation:** This involves offering a unique product or service that is significantly different from the competition. This can be achieved through innovative features, superior quality, or excellent customer service.
- 3. Integration strategy:** Requires reconciling trade-offs between Cost Leadership & Differentiation. Integration is the most difficult to achieve because low cost and differentiation are distinct strategic positions that require the firm to effectively manage internal value chain activities that are fundamentally different from one another.

Ultimately, the most effective strategy will depend on the specific goals of the organization and the resources available to achieve them. It is important for businesses to regularly review and assess their strategies to stay competitive and achieve their objectives.

Implementation

Once you've determined external and internal influences and ways your firm can capitalize on the marketplace, you must design your organization to maximize your potential. Establishing core values that create a culture of excellence and structuring roles and responsibilities around a common set of objectives will

bring alignment of all key stakeholders. This enables your firm to concentrate investments on physical and human capital to achieve strategic objectives, both of which ultimately optimize performance.

Of course, there are several variables that can influence strategic planning and resulting outcomes, which is why it is important to develop multiple scenarios to anticipate different plausible futures. Each plan can focus on a different set or combination of factors to consider for optimizing firm performance. Although heavyweight boxing champion Mike Tyson famously said, "Everyone has a plan 'till they get punched in the mouth", scenario planning can help you predetermine how your firm will react when that happens.

In summary, by systemically engraining strategic planning into a firm's core activities, leaders can set clear goals and objectives and allocate resources effectively. This will improve decision-making at all levels of the organization and maximize the chances for a business to sustain a long-term competitive advantage that is adaptive to change and essential for survival. Overall, a strong and effective strategy is critical for the success and long-term viability of any organization.



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