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BUSINESS STRATEGY FORMULATION & UTILISATION FOR STARTUPS

In today's rapidly changing business world, One of the key methods for improving organisational performance irrespective of size and sector is Strategic Management; it is the method of determining goals, designing strategies to achieve them, putting those strategies into action, and establishing deadlines, responsibilities, and evaluation mechanisms. There are five (5) key steps in the process, namely: Goal Setting, Environmental Scanning & Analysis, Strategy Formulation, Strategy Implementation, and Strategy Evaluation.



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> **Effective strategy formulation and of course, its associated execution ensures organisations compete favourably and are profitable as they grow.**

Strategy Formulation

This article focuses on the Step 3 of the strategic management process; Strategy Formulation, and it involves establishing goals and determining the proper plan of action to achieve those goals. An organisation uses strategy formulation to plan for success and make improvements to its strategies as may be needed per time. It is essential for achieving and measuring the attainability of goals because after creating strategies, an organisation would typically educate its employees on the organisation's purpose, goal, and workplace objectives.

Effective strategy formulation and of course, its associated execution ensures

There are five(5) key steps in the process of improving organisational performance :

profitable as they grow. In any case, regardless of the size and sector of an organisation, a lack of systemic planning typically results in failure. Long-term plans and short-term tactics must be effectively implemented if success is to be achieved and sustained over time. Irrespective of whether a business is a startup or an established one, the process for formulating its strategy is the same, they may, however, simply vary in scale and/or input. In business, there are three levels to strategy formulation, and defining a strategy for each of these levels will help the organisation align its efforts with its objectives, thereby optimising its operations. It may also help the organisation to visualise its future, and determine the best steps to take in scaling its operations along with changing market conditions. Enumerated below are the three levels of strategy:

1. **Business Level:** defines its target market and strategies to compete with other organisations within the market;
2. **Corporate Level:** involves defining the structure of the organisation, across all its business units;
3. **Functional Level:** Defines the growth map of the organisation.

Unfortunately, there is no prior data or experi-

ence to rely on when it comes to a startup, hence extensive research is required to attain a strong understanding of the sector and its nuances. It is also important that such an organisation identifies the steps that will aid the formulation and execution of its defined strategy, thereby benchmarking them against the top players in the industry. This, in no way, makes them less effective but rather forms the foundation upon which subsequent strategies will be built. In formulating a strategy, the following steps should be considered:

1. Develop a Strategic Mission

This is a foundational statement that includes the organisation's values and long-term goals. A strategic mission is a high-level understanding of an organisation's purpose and philosophies, and it guides the design of its subsequent strategies.

2. Establish Organisational Goals

These are actionable objectives that bring an organisation closer to achieving its strategic mission and improving its operations. Having a good understanding of what the business is working toward will help develop appropriate processes and procedures to reach its business goals. To identify organisational goals, the following factors should be considered: target market, existing clients, uniqueness of goods or services offered, and the business's ability to adapt to changes and challenges.

3. Create Departmental Plans

This involves dissecting the defined goals and cascading them into specific plans for each department, team, or business unit. This helps create tasks that ensure employees contribute to achieving overall company goals and improve the design of relevant employee KPIs.

4. Conduct Periodic Performance Analysis

An organisation should periodically conduct performance analysis on the activities of internal departments in response to external conditions to assess its current performance. This may help the organisation to understand the probability of achieving its set goals and how best it aligns with trends in the industry. An analysis will reveal gaps between the stasis and goals, and help determine the techniques that best fit the organisation's needs.

5. Implement a Plan of Action

Define the methods needed to execute the outlined strategy and constantly make adjustments to the strategy(ies) as the market or industry changes. Consistently monitor progress and conduct analysis to evaluate the effectiveness of the strategy over time.

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Startups must invest in quality; all employees must participate fully to ensure excellent deployment and this necessitates the persuasion to and adoption of specific business processes by all personnel. Startup leaders must specify the characteristics or values that will be used to identify company employees as well as to guide them - Integrity, punctuality, respect, passion, and other traits are examples of such qualities.

The main challenge for startups is the lack of experience in the business (regardless of the experience that its principals and or employees may possess), the beginning stages of the business should be designed to appeal to the end users in the proper way. The strategy for achieving targeted brand resonance i.e., the connection between the consumer and the brand must be supported with in-depth market research. Therefore, research and industry analysis are key components of developing the strategy for a startup company.

A market analysis or industry analysis can be conducted in a variety of methods, the two approaches that are most frequently utilised are conducting a SWOT analysis and using Porter's Five Forces model - A SWOT analysis highlights factors that might work for and against an organisation by examining its internal (Strengths & Weaknesses) and external (Opportunities & Threats) business environments.

All the elements or forces that have a more immediate impact on the day-to-day operations of the business such as clients, suppliers, competitors, financial institutions, shareholders and employees are referred to as the internal environment of the business. However, the most critical of these factors being the shareholders and employees influence the process of designing a strategy in that the business will have to consider ways to enhance or maximise the strengths of each factor while minimising or eliminating their weaknesses.

All external factors that may have an impact on a business's operations are included in the external environment of the business - the social structures, environmental-related rules or expectations, legal framework, political concerns, geographic concerns, technological climate, and economic climate make up a business's external environment. Competition is the most significant element of the external environment and this is because the ferocity and responsiveness of the competition existing within the industry directly affects business.

Supplier power, buyer power, the threat of new entrants, the threat of substitutes, and rivalry among competitors are the five market forces, which businesses use to analyse the competitive landscape of their industry and identify potential opportunities and threats. The term supplier power describes how much power suppliers have over a company; suppliers have a lot of market influence if there are not many of them or if their offerings are very unique. The ability of clients or end users to impact suppliers' offerings is known as buyer power and this connotes that a startup will have more purchasing power if it has the ability to make bulk purchases. The level of rivalry among established businesses is gauged by competition, when fierce this can reduce profitability and encourage price reductions. This is important because the business needs to develop methods that will allow it to win in a highly competitive market. The business must take into account potential competitors in the market and design alternatives to their products in order to create a distinct position in the market, guide market segmentation, and effective positioning.

Conclusion

Given the focus on Startups in this article and the emphasis on research in response to the lack of experiential information and or data, environmental scanning becomes the single most critical strategic management action that facilitates strategy formulation. It is a process that examines and analyses pertinent data to find external opportunities and risks that may have an impact on decisions in the future. It is essential since it offers raw data that can be considered when making decisions. Statistical tools are useful for the vast forecasting that startups require, and management's discretion is crucial given there is barely any historical data. In order to succeed, startups must rigorously examine market traits and use approaches like benchmarking which will give them a competitive advantage.

Employee skills and knowledge, benchmarking strategies, customer focus, entering untapped market segments, a supportive organisational structure and culture, awesome product design, strategic partnerships, and distribution characteristics are some of the sources of competitive advantage or areas of focus when formulating a business's strategy. Thus, startups must consider all aspects of the internal and external business environments and then develop equally effective strategies. Functional or operational plans that specify what must be done, where it must be done, when it must be done, how it must be done, and by whom, must be taken into consideration throughout the implementation of the strategy.

When it comes to operational plans, the strategic focus on specifics and statistical mapping enables the organisation to decrease expenses, deliver goods on schedule, cut down on idle time, utilise the organisation's capacity to the fullest, and prevent waste. Reduced prices, made possible through efficiency and effectiveness, as well as increased productivity or performance inside an organisation result from this focus.

Specifically, before launching, Startups should consider the following strategies:

Operational Strategy

The actual method of delivering a product/service could have a significant impact - how to purchase, build, and market a product or service are all covered by the operations strategy. This spans various areas, such as locating raw materials, producing, managing inventories, delivering, etc. As a result, the operational strategy is concentrated on lowering process costs and raising overall company earnings.

Competitive Strategy

It is important to know who else serves the demands the business has targeted in the market. Competitive strategy is all about identifying a gap that the business can fill to do this, ask about the products and services the competitors deal with, how their clients are treated, and most importantly, what their core business is. To position a business in the market, it can be beneficial to have a good understanding of the competition.

Marketing Strategy

Create a marketing strategy to increase the startup's visibility, build the right marketing presence through strategic positioning, and advertise the company. Determine whom to serve, what needs the business is addressing, and how to reach potential clients. In the future and as the firm develops, test hypotheses.

People Strategy

This involves the determination of the following - Who would participate in the business? What skillset does the organisation require? Does the firm have a particular person or group of people in mind for its team based on their expertise, networks, or knowledge? Does the business need input from industry thought leaders? Does the number of employees change seasonally or in relation to sales? A company can better comprehend the effects of hiring, attrition, and pay practices by asking these critical questions.

For support in the review and or formulation of your startup strategy, send an inquiry to mc@pedabo.com

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