

Formulation of Strategy and its Impact on Financial Performance

Morteza Zamani

Department of Accounting, Shahr-e-Qods Branch, Islamic Azad University. Tehran, Iran.

Email: zamani_acc@yahoo.com

Zahra Amirhosseini

Associate professor, Department of management, Shahr-e-Qods Branch, Islamic Azad University. Tehran, Iran.

(Corresponding Author). Email: Z.amirhosseini@qodsiau.ac.ir

Abstract

This research is aimed at identifying and compiling effective strategies on the performance of the company's team to achieve the highest performance according to Return on Total Assets (ROA) and Return on Equity (ROE) indices. In this research, strategies have been developed using the strengths and weaknesses of the internal environment, opportunities, and environmental threats. After identifying effective strategies, in the next step, the main criteria that the company has weighed through the method of group hierarchy process analysis is identified, as well as the strategies adopted by the Topsis method are prioritized. These strategies included: selecting a target market to implement market penetration strategy (Pars Special Energy Economic Zone); - collaborating with companies with higher financial, technical and specialized capacities to implement the partnership strategy; - upgrading the equipment and technology of the company; - improving the certification rankings. Qualification of the company's contract, in order to be able to participate in bigger tenders - Establishment of a quality management system and development of methods and procedures for all activities of the company. In the next step, how to implement the strategies adopted in the years 2006-2016, and finally, the financial performance of the company in the management of the old (2001-2005) and new management (2006-2016) is analyzed, and analyzed The impact of strategy development on improving the business environment and enhancing the performance of the company's team will be addressed. Finally, according to the specialties of the company's managers in the activities of oil and gas, the strategy of choosing a suitable target market, namely, the penetration of the Pars Special Energy Economic Zone market and the partnership strategy with the companies with higher capacity, were selected as the best strategies, the results of which are indicative of success. The team has participated in tenders, gaining an acceptable share of the market and also creating value for the company by increasing the performance according to the above-mentioned indicators.

Keywords: Strategy Formulation, Internal and External Factors, SWOT Matrix, Gross Income

1. Statement of the subject

Today, governments tend to mitigate their administrative and executive structures, and all of them try to outsource executive activities and focus on the direction and control of national projects. In Iran, in the last two decades, much of the government's executive activities have been delegated to the private sector, and the government has summarized its main responsibility for policy-making and the direction and control of these policies and monitors only the good conduct of its activities. Contractor companies are operating as an executive arm in various industries

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But given that these companies are mainly subject to the policies and strategies governing their industry, they face more varied conditions in comparison with manufacturing companies, and they have less independence in the process of determining and deciding Enjoy. Therefore, monitoring environmental conditions, awareness of opportunities and threats ahead, analyzing the weaknesses and strengths of these organizations is very important and makes them better than the development of their goals and policies. Because the size and volume of the activities of the Ministry of Oil are so much that it is possible for all state-owned companies to carry out all activities, it is very difficult and requires a huge investment in the attraction of manpower, equipment and machinery, technical knowledge and... The Ministry of Oil entrusts its activities through the bidding mechanism to contractor companies or qualified advisors. Like other organizations, these companies are under the influence of the environmental and internal factors governing the industry. Hence, by knowing and analyzing the correct environmental variables and turning threats into opportunities and reducing the weaknesses and increasing the strengths, they should provide the prosperity and development of themselves and this industry, and how can they compete with other contractors Abducting a larger share of the labor market, and which strategies are successful in increasing financial performance. In this research, two stages of the management of the company's team have been investigated. The first phase relates to the old management of the company during the period from 2001 to 2005 and the second phase is from 2006 to 2016 and is related to the new management period.

2. Theoretical background and background

In addition to goals such as entrepreneurship, prosperity and ... the main goal of each company and firm is to work in the business market, obtaining the maximum market share and, ultimately, maximizing the profit of its organization. Companies have found that it is feasible to achieve preset goals only in the light of the elaboration and implementation of appropriate strategies. Therefore, developing a strategy with respect to changing political, economic, social and ... situations are very important and organizations should, in addition, Examine the internal and external environment and analyze the conditions of competitors, develop appropriate strategies.

According to Chandler, the strategy is An integrated, integrated plan that addresses organizational strengths and weaknesses to opportunities and environmental threats to achieve the goals of the organization (Chandler, 1969). According to Peter's definition, the strategy is simply to bring the organization from the current state to the ideal state (desired). (Pahlavanian, 2006). Kouzada believes that: The strategy is the relation between the medium and the goal (Kavazada, 2009). James Robin Quinn says the strategy is a pattern or design that combines the goals of the organization's policies and chains in an interconnected whole. Jack Welch, CEO of GE, was the first company to carry out strategy studies. The strategy is defined as follows: the strategy is to try to understand where we stand in the world today and not how we would like to see where we want to go. Instead, we need to look at where we want to reach (apostates, 2006). In the new strategic management perspective, questions about Future: What are the factors affecting the organization? What are the new competencies we need to get them? Should we change ourselves to create such competencies? (Lewis, 2008). Today, at the beginning of the 21st century, most governmental and non-governmental organizations in Western countries have adopted strategic management (Ventinen, 2009).

The strategy development process provides contractors with the opportunity to properly assess the opportunities and threats of their environment and obtain a precise and expert view of their position in the business market. In order to realize the main objective of the research, the following hypotheses can be elaborated:

Hypothesis 1: Developing and implementing a strategy to improve the business environment of the company is influential.

Second hypothesis: The formulation and implementation of the strategy in the financial performance of the company has a positive effect.

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Hypothesis 3: In terms of changing political, economic, social and long-term strategies, they do not have the necessary efficiency.

Fourth hypothesis: in political, economic, social and ... conditions, strategies should be reviewed and, if necessary, revised in different time periods.

3. Framework for strategy formulation

A strategy is an approach that guides the organization to the best possible response to environmental factors (opportunities and threats). The result of this approach is to create a competitive advantage for the organization (Ghaffarian, 2007). Each of these definitions has a specific application in terms of the environment and strategic thinking. The strategy is a kind of innovation, and it focuses on the future. It is based on the direction of the managers, and the result will be determined when it has been accomplished. The wooden strategy was used to formulate a strategy. This framework provides tools and methods that are appropriate for a variety of organizations in a variety of sizes and helps strategists identify, assess, and select strategies. This framework has four main stages: (David, 2010)

- 1) Starting phase: At this stage, the mission of the designated organization and mission statement are prepared.
- 2) Input stage: In this step, the basic information required for strategy development is specified. This step involves identifying internal factors and external factors. More knowledge that can be obtained internally and externally leads to a shift in missions, even in the strategic management process. (Torrallo, 2007)
- 3) Comparison Stage: At this stage, according to the information obtained from the previous steps, considering the mission of the organization, the main internal factors (key strengths and weaknesses) and the main external factors (opportunities and threats Strategic) is being adapted, and in fact there is a kind of balance between them. At this stage, internal and external factors are adapted using a variety of tools to identify strategies that are in line with the mission of the organization and are appropriate to internal and external factors. The tools used at this stage to adopt the factors are swat matrix and internal and external matrices. SWOT analysis of external and internal factors is explored to identify the opportunities threats to the strengths and weaknesses of the organization in the future and to develop appropriate strategies to address them (Marcoussa, 2009).
- 4) Decision Making Stage: Finally, using the Analytical Hierarchy Process and Expert Choice software to identify and select strategies are used.

4. Methodology

The present research is a descriptive and analytical study in which information gathering has been done through library and field studies. Also, Isar was research in the field of information gathering, questionnaires, and interviews. In this research, the method of data collection is as follows: First, using library research and studies (articles, books, dissertations) related to the subject, extracted some of the internal and external factors for the strategy's elaboration. And then, using the interview, we will collect supplementary internal and external factors. Then the matrices of SWAT will be discussed and we will discuss with the experts the ways and strategies to be taken. In the following, we prioritize and weigh the main criteria of the company to formulate the strategy through the hierarchical process of group process and finally, prioritize and rank the strategies derived from the SWAT matrix according to the main criteria using the TOPSIS method and the opinion of the experts. will be. Then, by looking at the company's documents, it collects information about how the company's financial strategy and performance are implemented. In other words, in order to analyze the research data, some methods such as SWAT, TOPSIS, and hierarchical analysis process (in order to prioritize strategies) and using specialized software have been used. This research includes two periods of years (2001-2005) and (2006-2016), but the main focus of the research was from 2006 to 2016, and the

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collection of information and their analysis and analysis lasted 6 months. Also, the community surveyed included Meam Team in Tehran and other projects of the company located in Pars Special Energy Economic Zone, Ahvaz, Shiraz and Abbas harbor.

5. Data analysis

In this research, we propose a general methodology for choosing and designing a strategy in which two methods of multi-criteria decision making have been used, including the group hierarchical analysis process, TOPSIS. In this regard, the following steps are followed:

Step 1. Determine the mission statement of the team by experts:

"The company intends to become one of the first-rate companies in the contracting sector by improving the quality of service delivery with the approach of increasing the satisfaction of employers and continuously improving the technical, qualitative and specialized capabilities of the company and the manpower employed there."

Step 2. Identification of internal factors (strengths and weaknesses) and external factors (opportunities and threats) Based on previous research and interviews with experts:

Table 1. Internal factors based on Michael Porter's value chain model

Identification of internal factors Value Chain	Main activities	Value Chain	Strengths	weak points
		Services	-	1) Inappropriate project control and quality control system 2) lack of deployment of the quality system 3) Lack of quality policy to enhance customer demand 4) Dissatisfaction of previous employers with project implementation
		And the marketing and oven	1) Take advantage of the relationships and experience of the new trading team	1) The lack of a well-documented trading system
		Extra Logistics	1) In contracting companies, according to the type of work, external logistics is more focused on delivering raw materials and equipment purchased to the site for the implementation of projects.	
	the operation	-	1) The absence of any major executive project in the past few years 2) Low productivity in the company	
	Support activities	Internal logistics	-	1) Lack of operational procedures in any of the company processes
Company infrastructure	1) The existence of sufficient financial capital in the company	1) The lack of an organizational structure		

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			to promote the level of technology 2) long history of the company	2) The absence of an adequate accounting system to estimate the immediate cost 3) lack of a clear plan and strategy for the future At Company
		Human resources management	1) The sense of job security for employees due to the superior look of managers to the human resources 2) Having young, expert and motivated manpower	1) Failure to establish a suitable occupational safety system HSE 2) The lack of proper engineering in the company 3) Lack of proper incentive system
		technology development	1) The proper condition of modern machinery and equipment, which is very rare in Iran	1) No research and investigation to produce high-profit margins
		Procurement	-	1) low quality of some of the equipment provided by suppliers.

Table (2) Identified external factors based on macro-environmental factors (PEST)

	Macro environment factors	the opportunity	Threat
Swimming swimmers external factors P E S T	Agents or forces Political	1) The unwillingness of foreign contractors to attend oil projects due to political circumstances 2) The announcement of new policies of the Ministry of Oil on the support of domestic companies and domestic investors in the oil and gas and petrochemical industries	1) Obstacles created to supply goods and equipment from abroad 2) Opening credit documents (LC)Rounded face many obstacles should be of
	Agents or forces Economic		1) High inflation rate 2) Severe exchange rate fluctuations in the market 3) Increase in manpower and labor wages
	Agents or forces social	1) A young and cheap labor force and a high unemployment rate	

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		2) increase the average level of education and technical knowledge 3) Highly experienced and experienced human resources in the community	
	Factors or technological forces	1) Use of day technology to implement large oil projects It is easier than before	1) Low-quality equipment in Iran relative to the world

Table (3) - External factors identified based on Porter's five competitive forces model

	Five Porter Competitive Forces	the opportunity	Threat
Identification of external factors The Five Competitive Force	Potential competitors (Threatening new rivals Enter)	1) Entry into the contracting field, in particular, the contracting in the petroleum and gas industry requires high investment and the availability of expensive machinery and equipment, so entry into this industry has its own barriers and problems. (2) The laws and regulations that the Strategic Vice Presidential Executive has put in place for certification of contracting authority, faces newly established firms with many barriers	1 The presence of state-owned and quasi-governmental companies that use different rents and lobbies poses a major threat to private and independent contractors. Is.

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		to start-up activities.	
	Alternative products (Threat of products or services replaced)	-	-
	Bargaining power of buyers	-	1) Given that the main customer of the contracting services is government companies, they naturally have a lot of leverage, depending on their nature and the support of the state-owned group. They are.

	Five Porter Competitive Forces	the opportunity	Threat
Identification of external factors The Five Competitive Force	bargaining power Suppliers		1) Due to the existing political conditions, suppliers, especially foreign suppliers, have taken full advantage of the sanctions imposed on Iran, which has increased the bargaining power of suppliers.

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	<p>Industry rivals (Competition among existing competitors)</p>	<p>1) Increasing the power of the company against competitors based on the composition of the board of directors and shareholders</p>	<p>1) The bidding of competing companies in some tenders is sometimes lower than the initial estimate of the employer 2) Rivals sometimes weaken the position of the company, compared with them, in terms of financial strength by forming a large consortium among themselves.</p>
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Step 3- Formation of the SWAT matrix and providing solutions by experts, screening and selecting the most important strategies:

Table 4: Identified external factors based on macro-environmental factors (PEST)

<p>Matrix SWOT</p>	<p style="text-align: center;">Strengths S_</p> <ul style="list-style-type: none"> * Take advantage of the relationships and experience of the new trading team * Thirty years of the company record * Existence of sufficient funds in the company to promote the level of technology * The proper condition of modern machinery and equipment, which is very rare in Iran. 	<p style="text-align: center;">weak points _ W</p> <ul style="list-style-type: none"> * Lack of administrative procedures in the company * Inappropriate project control and quality control system * Lack of proper financial accounting system * Lack of organizational structure * Low Productivity * Lack of appropriate motivational system * Absence in any major project in the past few years
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<p>Opportunities O _</p> <ul style="list-style-type: none"> * Hard rules for obtaining a certificate of contracting authority * Increasing strength against competitors based on the composition of the board of directors and shareholders * The difficulty of entering new contractors and Rafaba into this industry * Unwillingness of foreign contractor to work in Iran * Government supportive policies * The high level of the workforce in the community 	<p>Strategies (SO)</p> <ul style="list-style-type: none"> * Upgrade of equipment and technical equipment * Improvement of the certification of the qualification of the company's contract, in order to achieve greater participation in tenders. 	<p>Strategies (WO)</p> <ul style="list-style-type: none"> * Establishment of Human Resources Management System (recruitment, recruitment, training,etc.) * Establishing an appropriate accounting system in order to obtain accurate financial information Establishing a quality management system and formulating procedures and procedures for all activities of the company
<p>Threats _ T</p> <ul style="list-style-type: none"> * The formation of a consortium between several rival companies and participation in projects * The lower prices of rivals compared to the employer's estimate * The presence of state and non-governmental companies * Issues related to the opening of a credit document * High inflation rate 	<p>Strategies (ST)</p> <ul style="list-style-type: none"> * Selection of a Target Market to Implement Market Attendance Strategy (Pars Special Energy Economic Zone) 	<p>Strategies (WT)</p> <p>Collaboration with companies with higher financial, technical and specialized capacities in order to implement the partnership strategy</p>

Step 4. Performing a Paired Comparison between the Priority Criteria and Weighting the Criteria for Compilation by the Analytical Hierarchy Process Process by Expert Choice Software:

Table 5, group decision matrix from 5 decision makers

Employers/ Market Outcome	Technical capability and equipment	Efficiency	Service delivery	Employer Satisfaction	Sweeney	DM A group Inconsistency rate: 0.077
4.92	4.28	1.7	3.59	6.18		Sweeney
0.34	0.31	0.26	0.26			Employer Satisfaction

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2.05	0.52	0.27				Variety of services
4.28	4.57					By the way
3.90						Technical capability and equipment
						Employer / Market Variation

As a result, weights of each of the criteria are extracted:

Table (6), weights of the main criteria

row	Criterion	Weight
1	Sweeney	0.339
2	By the way	0.317
3	<i>Technical capability and equipment</i>	0.144
4	Variety of services	0.09
5	Employer / Market Variation	0.073
6	Customer Satisfaction	0.035

Step 5: Finalizing Priority and Ranking the Strategies Obtained from the Swat Matrix with respect to the Main Criteria Using the Topsis Method (Questionnaire 2):

After determining the weights of each criterion, it is time to prioritize the strategies using the TOPSIS method is. In this step, the questionnaire (No. 2) is distributed, which you can see the results of these questionnaires distributed among experts and peoples in the following tables.

Table 7: Group Assessment of Strategies Based on Evaluation Criteria by 5 Decision-makers

Employers / Marketplace	Technical capability and equipment	Efficiency	Provision of services	Employer Satisfaction	Sweeney	DM group
5.9328	7.1304	6.28	7.7327	5.471	8.36	Establishing a quality management system and developing executive

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						procedures and procedures for all activities of the company
2.7019	7.1374	6.04	3.2875	3.898	4.573	Establishing an appropriate accounting system in order to obtain accurate financial information
2.4915	2.4915	3.39	2.7019	5551	4.373	Upgrade of equipment and technical equipment
5.578	6.7875	4.74	5.9084	8.586	5.908	Improvement of the certification of the qualification of the company's contract, in order to achieve greater participation in tenders.
2	5.8515	7.13	1.6438	3.288	7.505	Establishment of Human Resources Management System (recruitment, recruitment, training, etc.)
8.1907	7.1599	4.78	7.1599	6.575	7.95	Collaboration with companies with higher financial, technical and specialized capacities in order to implement the partnership strategy
6.9207	6.9035	7.76	7.1895	6.645	8.586	Selection of a Target Market to Implement Market Attendance Strategy (Pars Special Energy Economic Zone)

Now using the TOPSIS method and with the help of Excel software, priority is given to strategies:

Step One - Convert the existing decision matrix to an "unbalanced" matrix using the formula:

$$n_{ij} = \frac{r_{ij}}{\sqrt{\sum_{i=1}^m r_{ij}^2}}$$

	0.455	0.366	0.523	0.402	0.421	0.421
	0.249	0.261	0.222	0.387	0.421	0.192
N_a	0.238	0.171	0.183	0.217	0.147	0.177
	0.321	0.574	0.400	0.304	0.400	0.396
	0.408	0.220	0.111	0.456	0.345	0.142
	0.432	0.440	0.484	0.306	0.422	0.581
	0.467	0.444	0.486	0.497	0.407	0.491

$$W = \{w_1, w_2, \dots, w_n\} \approx \text{(From DM)}$$

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$$V = N_D W_{n \times n} = \begin{pmatrix} V_{11} & K & V_{1n} \\ M & O & M \\ V_{m1} & L & V_{mn} \end{pmatrix}$$

	0.154	0.116	0.075	0.036	0.031	0.015
	0.084	0.083	0.032	0.035	0.031	0.007
$V=N_d*W_n*n$	0.081	0.054	0.026	0.020	0.011	0.006
	0.109	0.182	0.058	0.027	0.029	0.014
	0.138	0.070	0.016	0.041	0.025	0.005
	0.147	0.139	0.070	0.028	0.031	0.020
	0.158	0.141	0.070	0.045	0.030	0.017

Step 3 - Define the ideal solution and the ideal-negative solution for the ideal (A +) and ideal-negative (A-) option:

For an Ideal Option:

$$A^+ = \left\{ (\max V_{ij} \mid j \in J), (\min V_{ij} \mid j \in J') \mid i = 1, 2, \dots, m \right\} = \{V_1^+, V_2^+, \dots, V_j^+, \dots, V_n^+\}$$

For the ideal negative option:

$$A^- = \left\{ (\min V_{ij} \mid j \in J), (\max V_{ij} \mid j \in J') \mid i = 1, 2, \dots, m \right\} = \{V_1^-, V_2^-, \dots, V_j^-, \dots, V_n^-\}$$

Step Four - Calculate Separation Size (Distance)

The distance between the I option and the ideal using the Euclidean method is as follows:

$$d_{i+} = \left\{ \sum_{j=1}^n (V_{ij} - V_j^+)^2 \right\}^{\frac{1}{2}} ; i = 1, 2, \dots, m$$

$$d_{i-} = \left\{ \sum_{j=1}^n (V_{ij} - V_j^-)^2 \right\}^{\frac{1}{2}} ; i = 1, 2, \dots, m$$

d1+	0.067	d1-	0.116
d2+	0.132	d2-	0.042
d3+	0.161	d3-	0.010
d4+	0.056	d4-	0.139
d5+	0.130	d5-	0.065

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d6+	0.048	d6-	0.123
d7+	0.042	d7-	0.133

Step Five - Calculate the relative closeness of A_i to the ideal solution. We define this relative closeness as follows:

$$cl_{i+} = \frac{d_{i-}}{d_{i+} + d_{i-}}; 0 \leq cl_{i+} \leq 1; i = 1, 2, \dots, m$$

It will be seen that if $A_i = A^+$, then $d_{i+} = 0$, and we will have $cl_{i+} = 1$ and if $A_i = A^-$, then $d_{i-} = 0$ and $cl_{i+} = 0$. Therefore, as far as the A_i option is close to the ideal solution (A^+), the value of cl_{i+} will be closer to the unit.

cl1	0.634
cl2	0.239
cl3	0.060
cl4	0.714
cl5	0.335
cl6	0.721
cl7	0.761

Step Six - Ranking Options. Based on the cl_{i+} descending order, you can evaluate the available options of the hypothetical problem, which you can see in the table below.

Rating	Strategy	Weight
1	Selection of a Target Market to Implement Market Attendance Strategy (Pars Special Energy Economic Zone)	0.761
2	Collaboration with companies with higher financial, technical and specialized capacities in order to implement the partnership strategy	0.721
3	Improvement of the certification of the qualification of the company's contract, in order to achieve greater participation in tenders.	0.714
4	The establishment of a quality management system and the formulation of procedures and procedures for implementation of all activities of the company	0.634
5	Establishment of Human Resources Management System (recruitment, recruitment, training, etc.)	0.335
6	Establishing an appropriate accounting system in order to obtain accurate financial information	0.239
7	Upgrade of equipment and technical equipment	0.060

6-Conclusion

Hypothesis 1: The Meam Team has achieved a good market share by implementing 19 projects over five years (2006 to 2016), compared to 2001 to 2005 years in which the company was active in only one project. Chart (1) shows a good improvement in the business environment of the company.

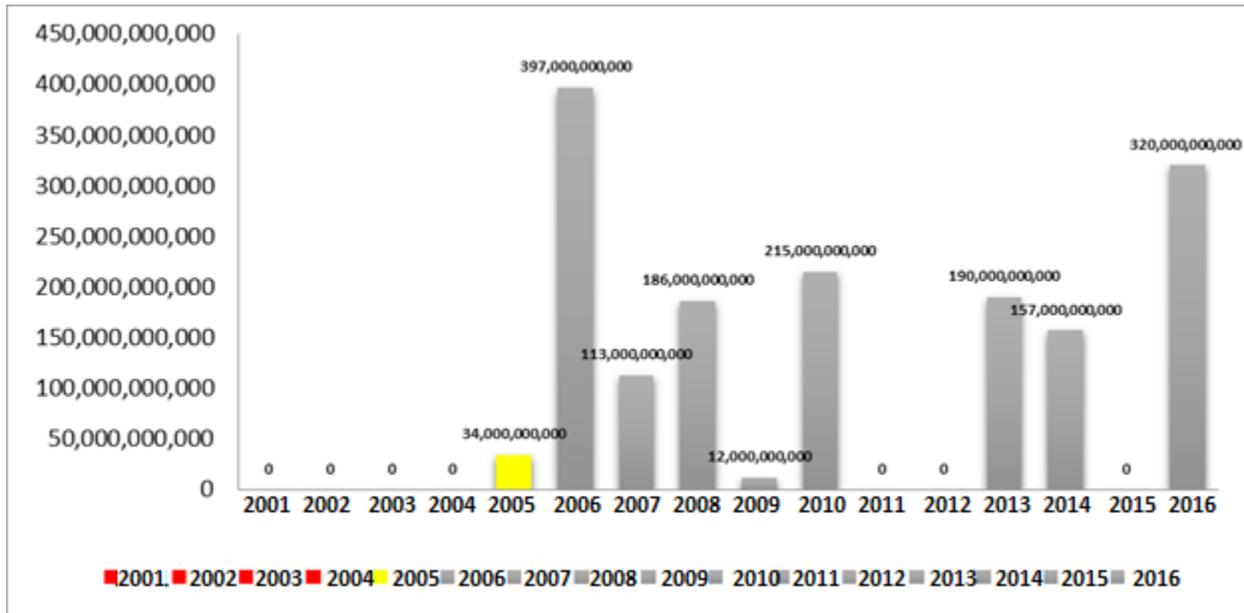
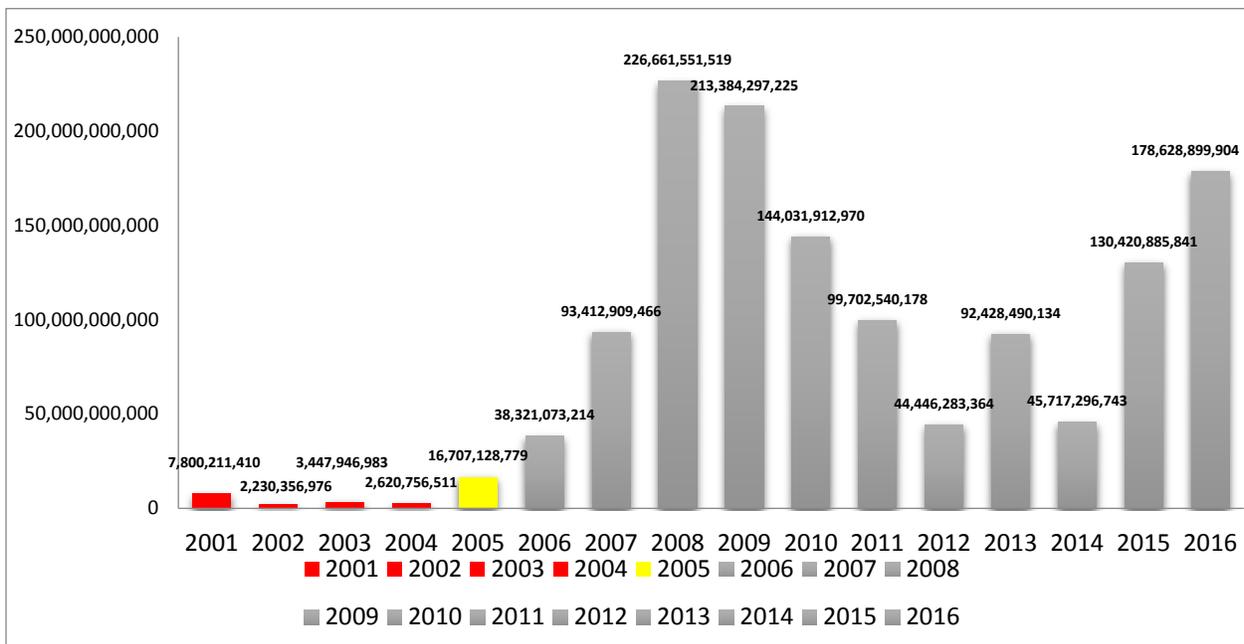


Chart (1) Accumulated contracts for the years 2001 to 2016

Second hypothesis: Gross income in the years 2006 to 2016, as compared to 2001 to 2005, shows how the financial condition of the company can be improved, as shown in Figure (2).



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Graph 2: Gross income from 2001 to 2016 years

Hypothesis 3: In the following diagram, we see an inefficiency of a long-term strategy.

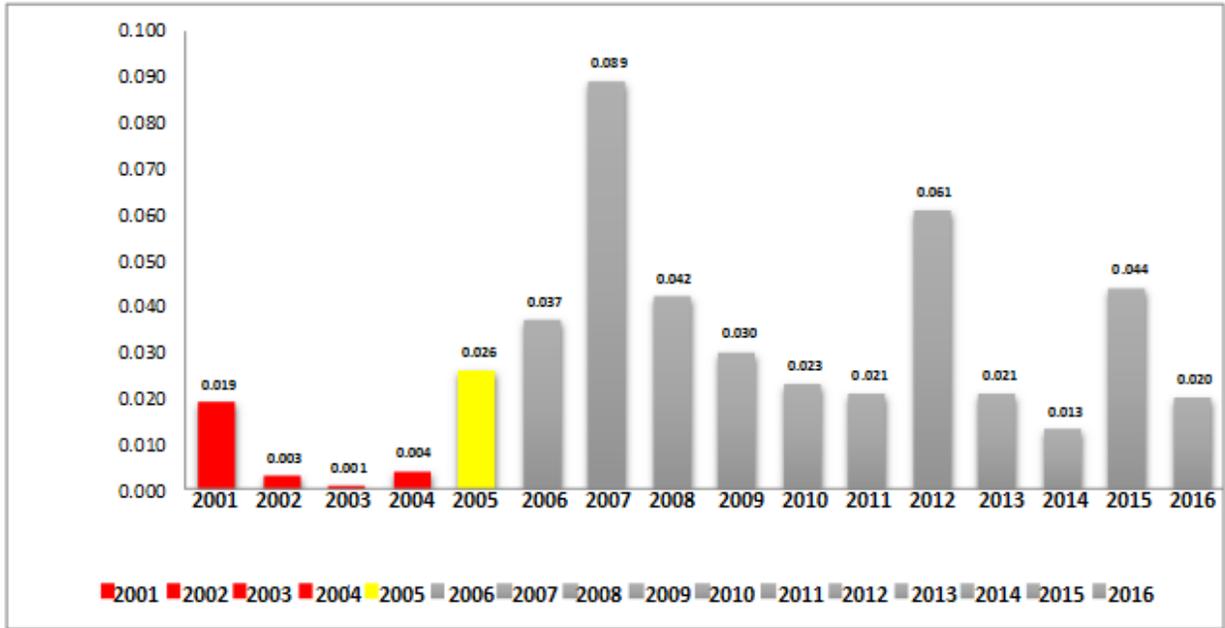


Chart (3) Return on Total Assets (ROA) from 2001 to 2016

Fourth hypothesis: In the diagram below, we need to refine the previous strategies and adopt new strategies.

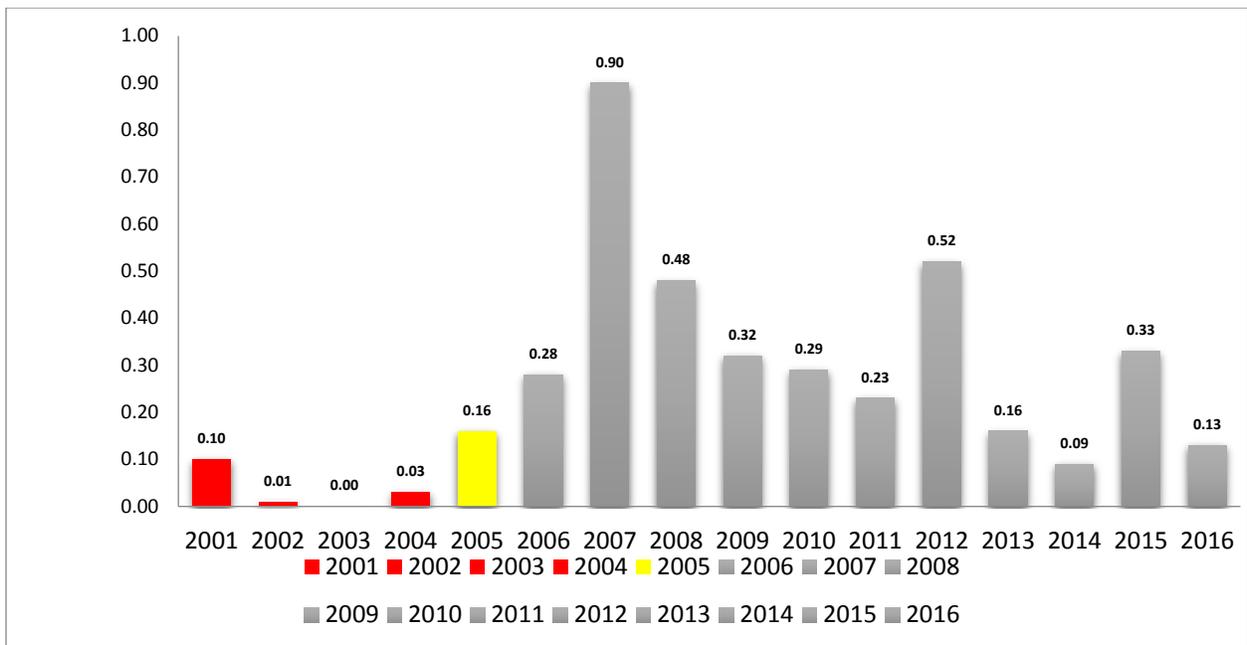


Chart (4) Return on Equity (ROE) from 2001 to 2016

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As you can see, the Meam Team in the new management period has, in comparison with previous management, enjoyed a better financial performance and had a significant and irreversible growth.

7. Conclusions and suggestions

Research findings indicate that the company in the new management period, both in terms of improving the business environment and in terms of financial conditions, has had a better performance than the past ages. This important reflects the impact of the implementation of the strategies, On the performance of the company, however, the company has remained open at some time (2009 and 2016). This performance drop is due to reasons that are referred to in the discussion below. With regard to the first hypothesis, as stated above, the company, with its intelligent strategies, managed to succeed in improving the business environment in a very short time, both in terms of the number and size of the executed projects, the company performed well from Has left behind. In the second hypothesis, we also saw that the company managed to improve the financial performance of the company in the years 2006 to 2016 compared with 2001 to 2005 years, by making timely and timely decisions. It is clear that in the years prior to 2005, there was no strategy in the company's plans and goals, whereas since 2005, a company with the same capacities and the same rating, but with strategy development, in addition to earning profit and profitability Owners name their name in the South Pars region (Pars Special Energy Economic Zone) as a highly qualified contractor. According to the findings of the third hypothesis, due to the large changes in the decisions, policies and movements of government officials, as well as changes in the board of directors and managers of the companies we have participated in, and many other factors, we have proved the third hypothesis that strategies in We are long-term inefficient. As for the fourth hypothesis, we also found that in order to keep the growth chart upside down, it would be necessary for a company that is looking for innovative new packaging as well as improving the quality, taste, and taste to the consumer. The contracting companies will also adopt new strategies and need to modify the previous strategies. Based on the results, suggestions are presented as follows:

- Defining new markets for expanding activities and improving the business environment
- Changes in the nature and scope of executive activities with respect to the acquisition and upgrading.

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