

Commercial Management

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Course & Class Information

Course: Commercial Management

Program: Bachelors in Business Administration and Management (BBAM)

Credits: 6 ECTS

Mode: Onsite / Blended

Class 8: Strategy in Commercial Management

Lecturer : Dr. Leul Girma

Main Teaching & Learning Materials

Books

- Johnson et al., (2017): *Exploring Strategy*
- Grant, (2022): *Contemporary Strategy Analysis*
- Porter, (1985) : *Competitive Strategy*

Academic journal articles

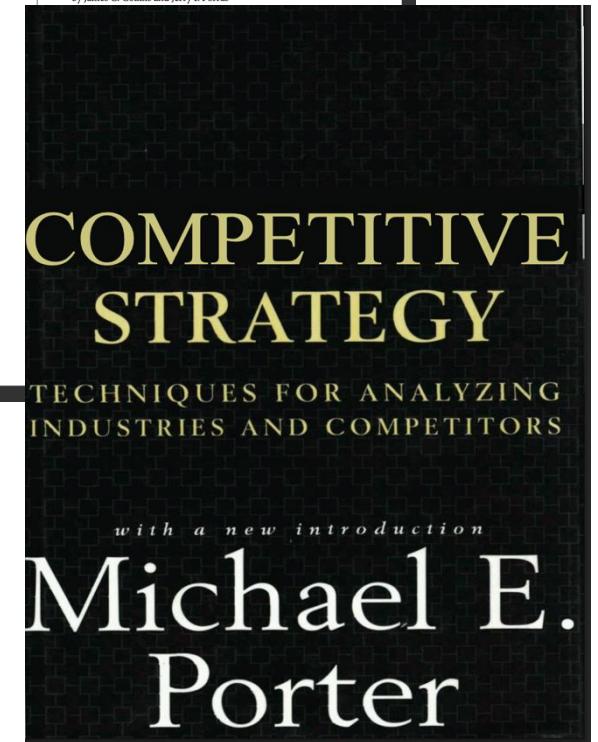
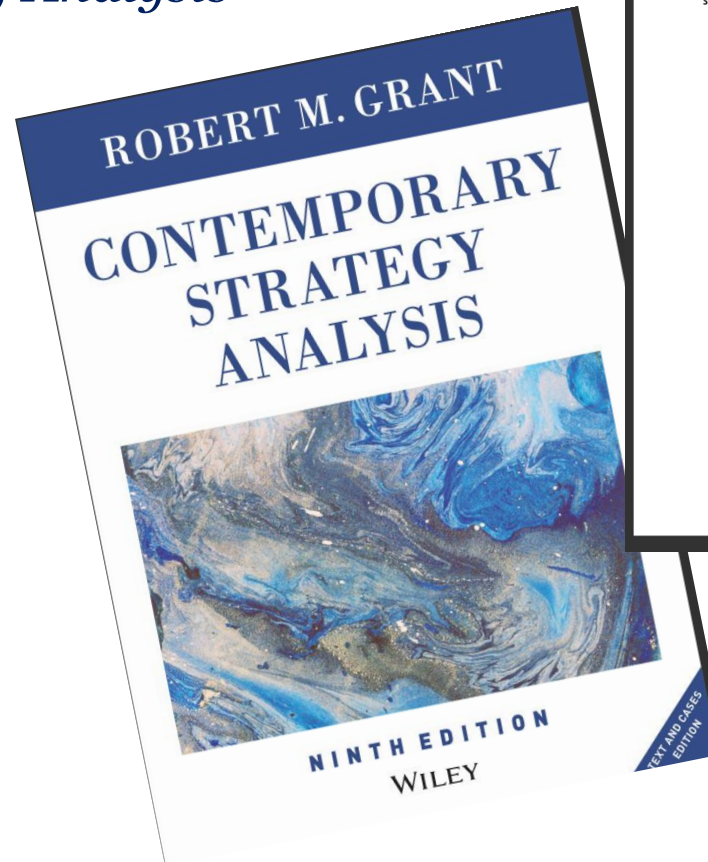
- Harvard Business School case studies

Digital resources

- Company annual reports
- Industry and market databases

Tools

- Microsoft Excel or equivalent
- Presentation software



Objective and Learning Outcomes

Objective:

To understand the relationship between business strategy, and commercial management in achieving sustainable competitive advantage.

By the end of this class, students will be able to:

- Understand the difference between operational effectiveness and strategy
- Chasseing best strategy and the alignment with the commercial approach
- Explain the internal relation between comitative advantage, strategy and commercial objectives

Operational Effectiveness vs. Strategy

Strategy

focused on:

- Performing **different activities** from rivals **or**
- Performing similar activities in **different ways**
- Concerned with **positioning and trade-offs**

Operational effectiveness

focused on:

- Performing **similar activities better than rivals**
- Focus on **efficiency, quality, and execution**
- Necessary but **not sufficient for advantage**

Example — IKEA

Strategy (**different activities**):

Competes through flat-pack furniture, self-service stores, and limited customization. These trade-offs define IKEA's **distinctive low-cost positioning**.

Operational effectiveness (**similar activities better than rivals**):
IKEA improves, **coworker experience**, **logistic warehouse operations**, **inventory management**, and **in-store processes** to reduce costs and improve efficiency within its chosen model.



Competitive Advantage

Competitive Advantage

It exists when a firm can **create and sustain superior value compared to its competitors**, either by delivering **comparable value at lower cost** or by **delivering greater value through differentiation** (Porter, 1985; 1996).

Key clarifications



- Superior performance relative to rivals
- Based on value, not just profit
- Achieved through cost leadership or differentiation
- It must be difficult to imitate
- Driven by strategic choices

Cost leadership

It exists when a firm can **achieve lower operational and production costs than competitors while maintaining acceptable customer value**, allowing the company to offer lower prices or **achieve higher profit margins through operational efficiency** (Porter, 1985; 1996).

Key clarifications

- Lower cost structure relative to competitors
- Focused on efficiency and cost minimization
- Achieved through economies of scale and process optimization
- Requires strict cost control across the organization
- Supports competitive pricing and market share growth



Differentiation

It exists when a firm can **deliver unique products or services that customers perceive as superior and valuable compared to competitors**, allowing the company to command premium prices through innovation, quality, branding, or customer experience (Porter, 1985; 1996).

Key clarifications

- Superior uniqueness relative to competitors
- Focused on creating distinctive customer value
- Achieved through innovation, quality, branding, or service
- Requires continuous improvement and market responsiveness
- Supports customer loyalty and premium pricing



Strategic Management

Strategic Management

Strategic management refers to how firms analyze their external environment and internal capabilities, make strategic choices, and implement and evaluate those choices over time (Johnson et al., 2020; Grant, 2022).

It is focused on :

- Guide long-term **strategic decision-making**
- Connect analysis, **strategic choice**, and **execution**
- Support **ongoing learning and strategic adaptation**



The Strategic Management Process



1. Define :

Strategic intent

- The firm's long-term ambition and overarching strategic goal
- Provides direction for major strategic priorities

Mission

- The firm's current purpose and reason for existence
- Defines what the firm does, for whom, and how it creates value
- Guides day-to-day strategic and operational decisions

Vision

- A clear statement of the firm's desired future state

Goals

Financial & non financial



MISSION



VISION



VALUES

2. Understand External Environment

Analyzing the external environment involves assessing the **industry, competitive forces**, and **broader macro-environment** to identify opportunities and threats facing the firm , Anticipate change (Johnson et al., 2020; Grant, 2022).

Industry and competition:

Number of competitors, how they compete, innovation races, price wars, advertising

Macro-environment:

PESTEL, entry barriers, suppliers and buyer power, substitute products.

Market trends:

Changes in customer needs, technology, and regulation

Competitive dynamics:

Product launches, strategic moves, market expansion, how competitors act, and react

3. Analyze internal resources and capabilities

Analyzing internal resources and capabilities involves assessing the **firm's assets, skills, and organizational processes** to identify strengths, weaknesses, and potential sources of competitive advantage (Grant, 2022; Johnson et al., 2020).



Key components:

Resources: Tangible and intangible assets (e.g., technology, brand, financial assets)

Capabilities: The firm's ability to deploy resources effectively

Core competencies: Activities the firm performs particularly well

4. Formulate Strategy

Formulating strategy involves **developing coherent choices about how the firm will compete**, including decisions at the corporate, business, and functional levels (Johnson et al., 2020; Grant, 2022).

Purpose:

- Translate analysis into strategic choices
- Achieve competitive advantage
- Align strategic decisions across levels



5. Implement strategy

Implementing strategy involves **translating strategic choices into action** by aligning the firm's structure, systems, people, and processes with the chosen strategy (Johnson et al., 2020; Grant, 2022).

Key components:

- **Organizational structure:** Roles, responsibilities, and reporting lines
- **Systems and processes:** Planning, control, and information systems
- **People and culture:** Skills, incentives, leadership, and values



6. Evaluate and control performance

Evaluating and controlling performance involves **monitoring strategic outcomes** to assess whether the firm's strategy is achieving its objectives and to determine whether adjustments are required (Johnson et al., 2020; Grant, 2022).

Key components:

- **Performance measurement:** Financial and non-financial indicators
- **Key performance indicators (KPIs):** Metrics linked to strategic objectives
- **Feedback and control:** Review mechanisms and corrective actions



Further reading

Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.

Grant, R. M. (2022). *Contemporary strategy analysis* (11th ed.). Wiley.

Johnson, G., Scholes, K., & Whittington, R. (2020). *Exploring strategy* (12th ed.). Pearson.

Mintzberg, H. (1987). The strategy concept I: Five Ps for strategy. *California Management Review*, 30(1), 11–24.

Porter, M. E. (1996). What is strategy? *Harvard Business Review*, 74(6), 61–78.

Thank you



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