

Table 6.9 General features of the three generic strategies

<i>Generic strategy</i>	<i>General requirements for the company</i>
Overall cost leadership	<ul style="list-style-type: none"> • Considerable capital investment • The development of technical-technological competence • Intensive employee supervision • Product facilitation through design • Low-cost distribution
Differentiation	<ul style="list-style-type: none"> • Big marketing abilities • Production engineering • The existence of meaningful creativity • High reputation of the company • Long tradition of the industry • Help from distribution channels
Focus	<ul style="list-style-type: none"> • Combination of the above-mentioned items (focus on a particular segment)

Source: Adapted from Daft, 1995, 71.

companies would succeed, the generic strategies would provide alternative paths for generating above-the-average profitability.

The sustainability of overall cost leadership

Overall cost leadership sustainability depends on many factors. The following three are the most important:

- 1 Sustainability concerning the interrelation among strategic business units – factors needed to force the competitor to diversify in order to achieve the same cost advantage.
- 2 Sustainability concerning the presence of entry barriers to related industries – factors needed to create entry barriers for related industries which significantly increases costs, hindering the potential newcomers.
- 3 Sustainability concerning the value chain configuration – it is almost inevitable for competitors to face considerably high costs in each attempt to counteract the reconfigured value chain.

The sustainability of differentiation

Differentiation sustainability depends on many factors. The following three are the most important:

- 1 Sustainability concerning the uniqueness sources of the company created by lifting barriers – advantages gained through early market entry are more sustainable uniqueness drivers.
- 2 Sustainability concerning the cost advantage created as a consequence of the differentiation effect – sustainable competitive advantage used