

becomes an important part of the strategic arsenal. Forming a business strategy with a goal of ensuing success in a single scenario is risky, whereas forming a business strategy with a goal of ensuring success in all scenarios is expensive. Hence, a scenario alone is insufficient to form a business strategy. It only offers an initiative conceptual frame for its formation.

Business strategy – the manner of interaction between the company and the environment

The interaction between the company and its environment is conducted with the help of business strategy. The essence of business strategy is to maximise the benefit of value drivers and minimise the benefit of cost drivers. This can be completed by combining the influence of five competitive forces (environmental analysis) with value chain activities (company analysis) (Đuričin et al., 2015). This leads to the identification of business strategy elements, which enables the achievement of competitive advantage (Table 6.1).

An important fact should not be put aside; there is no appropriate interaction between the company and the environment without a clear perception of the company position in a competitive environment. In order to understand business strategy in the right way, the key dimensions of business strategy need to be identified. A provocative work titled *Strategy as a practice* (Whittington, 1996) offers the following four viewpoints on business strategy:

The first viewpoint was established in the 1960s with the focus on the portfolio techniques. Business strategy relies heavily on methods and techniques.

The second viewpoint was established in the 1970s with the focus on alternative options. Business strategy relies heavily on internationalisation and diversification.

The third viewpoint was established in the 1980s with the focus on strategic changes. Business strategy relies heavily on innovation and development.

The fourth viewpoint was established in the 1990s with the focus on practical competence. Business strategy relies heavily on knowledge and expertise.

The key dimensions are located in a strategic triangle which Kenichi Ohmae (1982) called the *3C business model*.

Table 6.1 Business strategy elements

<i>Activity</i>	<i>Five competitive forces</i>	<i>Value chain</i>
Focus	Industry value drivers	Activity differences
Result	Industry average prices and costs	Industry relative prices and costs

Source: Adapted from Đuričin et al., 2015, 86.

Michael Porter raises the following question: *What comes first: business strategy or the business model?* A business model should include a discussion on business strategy, whereas a business strategy should have a model for generating profitability. The author highlights three key factors for success in the development of business strategy. The factors represent a cornerstone of each business which is aimed at profitability. Namely, when developing a business strategy, three main players must be considered (Ohmae, 1982):

- 1 Company
- 2 Customer
- 3 Competition

Only after integrating the 3C in the so-called strategic triangle, it is possible to create sustainable competitive advantage (Figure 6.1). As seen from the model, the three key players include the *company* which defines its own business strategy, *customers* who satisfy their needs and *competitors* who satisfy the needs of customers. Considering the context of these three main players, business strategy is perceived as a way of company differentiation in relation to its competitors using its own advantages to better meet the needs of customers (Ohmae, 1982).

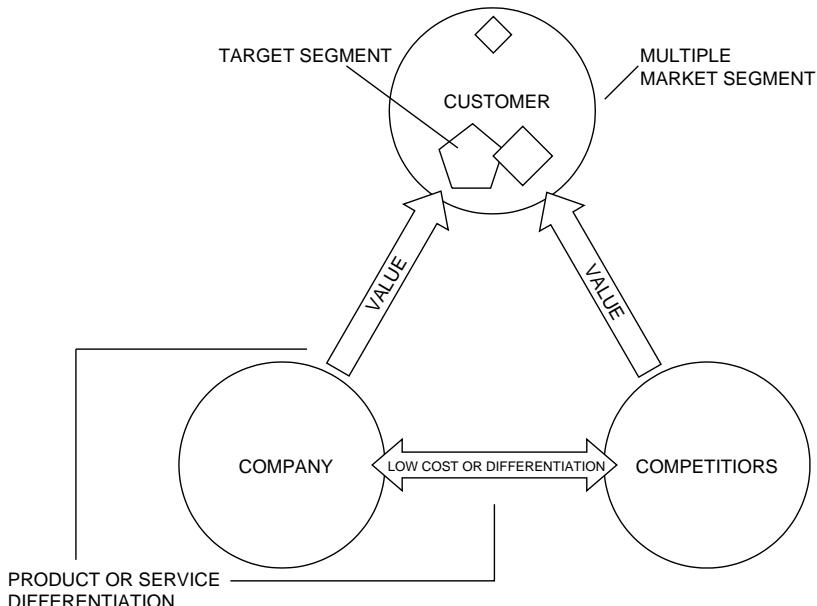


Figure 6.1 The strategic triangle.

Source: Adapted from Ohmae, 1982, 92.