

decide which generic strategy to follow or it will end up stuck in the middle. Sometimes, a company can form one or two separate business units with respective competitive strategies. Hence, if a company fails to clearly separate the strategic business units following different generic strategies, it could wipe out the potential of all the units to create sustainable competitive advantage. It is hard to simultaneously follow overall cost leadership and differentiation since differentiation requires high costs.

### **Following more than one generic strategy**

Cost reduction does not entail differentiation. There are companies which managed to practically reduce cost by simultaneously increasing differentiation. However, cost reduction must not be identified with overall cost leadership (Milisavljević, 2012). Should a company following overall cost leadership encounter a company which does not follow overall cost leadership, it will unconditionally reach a point where further cost reduction is impossible, compared to its serious competitor. By reaching this point, overall cost leadership becomes inconsistent. However, if a company can simultaneously follow overall cost leadership and differentiation, it will reap huge benefits. Namely, overall cost leadership leads to cost reduction, whereas differentiation leads to high prices. A company should aggressively utilise all opportunities to reduce cost which do not undermine differentiation, and it should utilise all opportunities for differentiation which do not lead to cost increase. Numerous practical cases have confuted Michael Porter's attitudes. Influenced by pressure generated from facts, he gave up on the concept of getting stuck in the middle in his later works, stating that the nature of influence of hyper production and globalisation requires companies following differentiation to reduce costs, and companies following overall cost leadership to make an effort towards differentiation. In other words, when the market (segment or niche) is the norm of the competitive game, timing is critical when applying a generic strategy (overall cost leadership or differentiation) (Đuričin et al., 2013). Multiple companies have demonstrated success in following both generic strategies. Namely, it turns out that it is a higher risk to follow a single generic strategy. Even research has gone as far as to demonstrate that it is possible to apply both strategies complementary<sup>10</sup>.

A company offers expensive products to its customers which immediately eliminates the possibility of competing with companies offering cheap products, and it is insufficiently differentiated to provide value offered by companies oriented towards the strategy of differentiation (Milisavljević, 2012). According to Michael Porter (1985), there are the following three situations when a company can simultaneously realise both generic strategies: overall cost leadership and differentiation.

The first situation is when *competitors are stuck in the middle*. After ending up in that scenario, sound positioning is not a complete solution for competitors and nobody can force a company to position itself in place