Table 6.7 The role of the board (board of directors or board of supervisors) and the top management in the strategic plan

	Formulates	*Authorises*	*Implementation*	*Monitors*
Board (board of directors or board of supervisors)		x		x
Top management	x		x	

Source: Milisavljević, 1999, *36*.

company, whereas the strategic business unit managers do the same activities for its segments. A number of board members (board of directors or board of supervisors) do not feel comfortable to discuss the company strategic plan together with the members of the top management (Babić et al., 2008). The board (board of directors or board of supervisors) members feeling competent and free to take part in the discussion represent a real challenge for the top management, particularly if there is a request for an alteration or a change of the suggested strategic plan. A timely intervention by the board members (board of directors or board of supervisors) is required in many cases when there are changes in the strategic plan.

Hence, brainstorming[7] is the best option to reach quality solutions and avoid conflicts. Many companies organised the so-called days of strategic planning (Pozen, 2011), where board members (board of directors or board of supervisors) and top-management members discuss the strategic plan using the *brainstorming* technique. Brainstorming is coin formed by two words: brain and storm[8]. The method was developed in the 1950s when empirical research revealed that meetings held to solve the burning business problems attended by highly paid experts were not yielding results. The development and application of brainstorming has solved the problem. The evaluation of the strategic plan cannot be completed through the aspect of current and past results, but rather through the comparison of the invested capital income generated by the existing competitive strategy and invested capital income which could be generated using other competitive strategies (Milisavljević, 2012) (Table 6.7).

As seen in the table, the top management formulates a strategic plan and submits it to the board (board of directors or board of supervisors) for adoption. The top management applies the strategy plan and the board (board of directors or board of supervisors) monitors its application.

The sustainability of generic strategies

Michael Porter (1998) states that a generic strategy will not lead to above-the-average profitability if it is not sustainable in comparison with its competitors, disregarding the fact that activities enhancing the industry can increase the profitability of the entire industry, even when imitated.

Table 6.8 Distinctive features of generic strategies

Accent	*Generic strategies*		
	Overall cost leadership	*Differentiation*	*Focus*
Production	Nobody can produce cheaper	Nobody can produce better	We make products only for you
Marketing	We have a better price than them	Our product is better than their product	We exist because of you

Source: Adapted from Hill, Jones, 1989, *136*.

The sustainability of generic strategies requires the competitive advantage of the company to resist the erosion caused by the behaviours of competitors or industry development.

Each generic strategy represents a potential and considerable danger for another generic strategy, e.g. companies following the strategy of focus must pay attention to competitors which fulfil the needs of multiple segments and *vice versa*. It should be noted that a company must keep in mind that generic strategies (overall cost leadership, differentiation and focus) cannot be applied simultaneously (Table 6.8).

Namely, overall cost leadership does not provide simultaneous differentiation since it leads to cost increase just as differentiation does not provide simultaneous overall cost leadership since it leads to cost increase. Hence, attention should be paid to avoid getting stuck in the middle, i.e. based on the average level, what are the things that can result in the lack of possibility to reinforce the competitive position in an industry (Hill and Jones, 1989).

However, generic strategies can coexist profitably in many industries as long as companies follow different generic strategies or select a different basis for overall cost leadership, differentiation or focus. If, e.g. two or more companies follow a strategy based on the same principle, an exceptionally painstaking, long and unprofitable battle can be expected. Each generic strategy necessarily includes different competences and demands for request, as shown in Table 6.8.

Overall cost leadership usually requires a firmer control system, general cost minimisation, using the economy of scale and the specialisation of employee skills which can have a counter-effect on the company trying to differentiate itself through orientation towards new products (Table 6.9).

The former or present understanding of generic strategies by competitors influences the choice offered to the company and the costs needed to change its position. The concept of generic strategies is based on the premise that there is more than one way to generate competitive advantage, depending on the industry. If all companies within a single industry were to follow the principles of generic strategies, each one would have to select a different basis for creating competitive advantage. Although not all