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Back to basics and beyond

Strategic management – an area where practice and theory are poorly related

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Abstract *Based on the strategic challenges faced by Western companies in the coming decade, this paper is concerned with the area of strategic management. In particular, emphasis is on the relationship between managerial problems, managerial practice and state-of-the-art theories on strategic management. Interestingly, it is found that managerial practice over the past 10 years has had a poor relationship to the actual problems faced by managers and to the state-of-the-art theories on strategic management. At the same time, however, state-of-the art theories of strategic management have also had a poor relationship to the problems faced by managers. Strategic management is, therefore, lost and needs to be reconsidered in light of the empirical challenges of the area.*

1. The study and practice of strategic management

Contingency – that managerial practice should fit the current situation and that theory should help establish links between managerial practice and different situations – lies deep in the heart of most management theory. Drucker (1958, p. 47) noted that: "... management is first and foremost about the continuing development of the organisation and its employees. The demands and needs of the environment is constantly evolving and management is about adjusting the company according to the needs and demands of the environment ..." This serves as a natural starting-point for a paper reflecting on the study and practice of strategic management.

This paper is concerned with the relationships between managerial practice of strategic management and theory on strategic management in the past ten to 15 years. By considering the empirical problems faced by managers, it becomes possible to investigate whether or not those relationships have changed when they ought to (from a contingency perspective) and, thus, on the status of the discipline of strategic management at present. Perhaps surprisingly, it is found that neither managerial practice nor theoretical state-of-the-art has been driven by the empirical challenges of the past decade or so – and that, furthermore, the link between theory and practice of strategic management has also been weak at the time. This certainly calls for reflection on part of researchers and scholars within this particular discipline.

In order to arrive at this conclusion, we will delimit the discussion to managers in Western companies in this paper. This is mainly for practical reasons, i.e. reasons of time and space, but must be noted in order to arrive at a substantiated argument. Then, in the paper, we will start by investigating the popular view of the external challenges related to strategic management in Section 2. These are the challenges that theory and managers alike seem to agree on. Then, in Section 3, we will take a look at the managerial practice of strategic managers of Western companies in the same period and compare this with the external challenges. This leads to a discussion of strategic

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management theory in the same period and whether or not this is strongly correlated with either empirical problems or managerial practice. The paper arrives at some reflections on strategic management and the need for a revision of strategic management research in the future.

2. On the problems faced by managers regarding strategy

In this section, we will use seminal literature to sketch the environmental situation that has challenged the practice of strategic management since 1990.

2.1 Hypercompetition

Many different authors seem to agree that the external dynamics of industrial firms has increased over the last decade or so. Some speak of increased competition and the need for more market-focused organizations, whereas others discuss technological pressures on firms. Regarding the former idea, it seems to have become accepted that whereas firms in the 1960s and prior could rely on stable (expanding) market conditions and customer-emphasis on price alone, today markets are less than stable and emphasis is on price, quality, delivery, innovation, and so on (Ansoff and McDonell, 1990; Womack *et al.*, 1992).

Ansoff writes: "... From the mid-1950s accelerating and cumulating events began to change the boundaries, the structure, and the dynamics of the business environment. Firms were increasingly confronted with novel and unexpected challenges which were so far reaching that Peter Drucker called the new era an 'age of discontinuity'..." (Ansoff and McDonell, 1990, p. 5). This statement is used by Ansoff to place emphasis on strategic warning in order to keep an eye on the turbulent environment. Others basically, use the same statement to emphasize other issues – just consider what Hammer and Champy (1993, p. 21), in their book on BPR, write on a crisis that will not go away: "... In short, in place of the expanding mass markets of the 1950s, 1960s, and 1970s, companies today has customers ... who know what they want, what they want to pay for, and how to get it on the terms they demand ..."

Even though it is interesting to note that "the good old days" seems to span another decade in the latter quotation, the basic argument is similar between Ansoff and Hammer/Champy. External turbulence force companies to act completely different from what they have been used to. Others place emphasis on the increased global competition from first Japanese firms, later Korean and other so-called Tiger economies, and their possible replacements in China and the former Eastern Europe (Kiernan, 1995). In general, there seems to be an agreement that an entirely new competitive situation has arised. This is summarized by D'Aveni (1994) under the concept of "hypercompetition". Hypercompetition, according to D'Aveni (1994) is a competitive situation where the key competitive success factor is the ability to constantly develop new products, processes or services providing the customer with increased functionality and performance. In a hypercompetitive environment, firms cannot count on a sustainable competitive advantage, but must continuously develop itself in new directions.

2.2 A new competitive landscape

Turbulent and dynamic conditions for companies cannot be isolated from technological dynamics The basic problem of technological changes is that they often happen much faster than we as people, organisation or societies are able to adapt (Bhalla, 1987; Burgelman and Sayles, 1986; Downes and Mui, 1998). This is a common knowledge that is not merely applicable to situations of major technological changes such as the emergence of the transistor – where the so-called "creative destruction" transformed an entire industry as defined by Austrian economist Joseph Schumpeter (Freeman, 1982) – but also to many other instances of technological changes. On the outset, however, it is difficult to predict the impact of a new technology on a company's internal competencies and/or external competitive position (Bhalla, 1987).

In general, it has become accepted that technological life cycles in some industries seem to be decreasing compared to earlier (Dussage *et al.*, 1991), thereby putting pressure on firms to constantly innovate (Kiernan, 1995). Much of this thinking stems from the electronics industry – for instance, the new generation of SEGA video games that your six-year-old plays with contains as much computing power as the Cray supercomputers of the mid-1970s (Kiernan, 1995). Even though, this situation does not have to be equally dynamic in other industries – and, indeed, some questions have been raised concerning that issue – it seems as if the belief in the technology dynamics creed is so strong that firms simply will follow that creed and, thereby, inflect the dynamics on themselves unnecesarily. Either way, many authors agree on the need for firms to move technology up on the corporate agenda (Clark, 1989), and make it a strategic issue (Bhalla, 1987).

2.3 The empirical challenges

The issues discussed above, of course, cannot be kept separate. New technologies have a strong competitive impact in general (Tushman and Anderson, 1990), and hence the technological dynamics will also influence the competitive dynamics of firms. Bettis and Hitt (1995) write on this issue that: "... technology is rapidly altering the nature of competition in the late twentieth century..." and, in fact, guest-edit an issue of the *Strategic Management Journal* entirely devoted to discussing how technology will change the nature of competition and strategy in the future. Bettis and Hitt (1995) refer to the situation as "the new competitive landscape". It is this new competitive landscape that for the past ten to 15 years has been creating the need for different practice of – strategic management, strategic thinking, business development and organizational change.

In summary, it seems that there is general agreement that Western companies have been subject to a radically altered change in their competitive environment since 1990. This has been given several names, e.g. hypercompetition – but is rarely questioned in the current debate on strategic management. Therefore, we will take this as our starting-point in this paper.

3. On the strategic response of Western companies

So how have Western companies, by and large, handled the turbulent and dynamic environmental conditions?

A large proportion of Western companies is under a multidimensional competitive pressure these days. First, there is the competition from low-cost regions such as the Far East as well as the countries of eastern Europe. This competition is a natural consequence of the way, many Western countries have chosen to design society. Therefore, price competition is a kind of competition that few Western firm can hope to avoid and should be regarded as a condition for doing business as a Western company. It is a condition that challenge Western companies to improve performance, use technology in intelligent ways to create competitive advantage and to develop competencies that use the know-how and skills of employees efficiently. In other words, most Western companies should get used to being under pressure on cost and price. At the same time, however, many companies experience a need for innovation both externally and internally. The latter stems from the typical response of major global players to hypercompetition, i.e. outsourcing, focusing and strong demands on suppliers and partners to take on more responsibility and development than earlier. Also many Western companies are part of the supply chain of major global players.

This is why Western companies currently face a number of strategic challenges. It is no longer sufficient to produce and market products and services that are high quality at low cost. Western companies of today also need to take the responsibility for product and technology development in order to continually innovate their products and services and even to create new needs in the marketplace. And in some industries this happens at a quickening pace due to decreasing of product and technology life cycles. Hence an important competitive priority of today is the ability to change quickly – often labelled strategic flexibility or agility – but in such an way that companies are agile as the same times as cost efficient. The other side to these demands, however, is the opportunities for innovative and dynamic companies to differentiate themselves and achieve competitive advantage by proactive and fast strategic responses.

3.1 The response in the early 1990s – the new economy

The need for being concerned with strategic management for top managers has probably never been greater than in the markets of today and the near future "When the winds of change rage, some build shelters while others build windmills" is a (Chinese) quotation that is much used these days. But what do Western companies do then – build windmills? It is our assertion that Western companies, by and large, are in the middle of a transition between two fundamentally different approaches to turbulent environmental conditions. In the 1990s, companies tried to cope with turbulence by means of a super-expansive strategy under the heading of "the new economy" based on a belief in the importance of information technology in transforming business in the future. The most important drives behind "the new economy" were:

- the emergence of a robust and global Internet;
- the development of new and powerful IT-management tools;
- recognition of the increasing importance of knowledge and the knowledge economy;
- the (fast) outmoding of traditional business models and management ideas; and
- large growth in risk-willing international venture capital.

Nonetheless, the response of Western firms was not to initiate internal business development activities in order to capitalize on the dynamic external conditions, but rather to invest in the business development activities of external entrepreneurs and firms. Notwithstanding the potential in such an approach, the consequence was that the competitive advantage of Western companies became dependent on the traditional markets for goods and products as well as the market for capital, where surplus funds were invested in the potentially much larger growth rates than what was believed possible by focusing on internal business development. It was believed that companies invested their way of the crisis and managerial focus was on the interesting capital market rather than on the (operational) market for goods and services that actually and still was the backbone of the company. Unfortunately, the IT bobble burst as it became evident that no market and no firms could possibly deliver the expected growth and profit rates, when development activities eventually were to be capitalized on a market for goods and services. An economical disaster of unprecedented proportions followed, but because it took place outside the market for goods and services – and involved surplus funds and not borrowed money – individual consumers felt little of the disaster (even though the effects are waiting to be felt when individual consumers reach retirement . . .).

3.2 The response of the late 1990s – the old economy strikes back

For business organisations the disaster really was a disaster as managers had to shift attention towards the operational activities of their organisations on the market for goods and services in order to make money for survival here and now. Hence, all talk of development and business creation was banned for a long time. At present, the answer to the riddle of shelter or windmills seems a different one than four or five years back. At present, Western firms build shelters. This is the second approach to the no less turbulent conditions for doing business today that can be labelled "the old economy's delayed response to the challenges of the new economy". It is a reactive kind of response that seems to be focused on "making money now" and comprises activities that go to secure that aim:

- Selling off of non-core companies in corporations.
- New ownership or venture capital.
- Focus on operations – re-engineering of production, distribution and administration.
- Delay or cancellation of major investments.
- Relocation and/or outsourcing of activities to low-cost regions.
- Headcount reductions.
- "Temporary" stop for hiring.
- Pay-cuts and reduction of bonuses and fringe benefits.
- Top management focus on short-term results and reports.

One could label this approach as "short-term" or "operational effectiveness related" and claim that the opportunities of dynamic external conditions are overlooked and that the innovative and business developing activities that ought to follow such conditions have become taboo because they are associated with the despised "new economy".

3.3 The situation today

The result of the two approaches to turbulent external conditions is that we must conclude that the main part of Western companies are in a situation, where strategic thinking and business development are ignored due to a strong and continual emphasis on short-term operational results. The societal emphasis on entrepreneurial firms and innovation that was evident years back is decreasing rapidly due to the crisis in the IT industry and break down of the dot.com wave. Furthermore, large established companies are busy disassociating themselves with the entrepreneurial "heroes" and visionary managers of the dot.com era and choose to hire more quiet "book-keeper" types as top managers – apparently in attempts to ensure shareholders that nothing unexpected is about to happen.

The conclusion on this discussion has to be that Western companies in the late 1990s and early 2000s have reacted to external challenges by focusing on economy, money flow, quality and minor improvements of current operations. Thereby, focus and resources are slowly but surely being drained from innovative and business creating activities leading to a vicious circle where the ability to improve competitive position is being diminished at the same time as the competitive position itself is being eroded. Speak of the image of a frog slowly being heated in a bowl of water until it boils to death. For companies, the result is that they get to compete on price and cost without any opportunities for differentiation and hence premium prices. And for companies in a high-cost region such as most Western companies, this is a "dance macabre" which requires mental quantum leaps to break free from. We know many examples of firms that did just this. Consider Chrysler in the 1980s, where major cuts in corporate R&D (and head count and so on) within a short period of time yielded bottom-line results in black and happy shareholders. Top manager Lee Iacocca was regarded as an American hero – until the bubble burst and it became evident that Chrysler was (still) under pressure to improve quality and develop cheaper and better cars in order to improve its competitive position. Unfortunately, the very cuts that yielded short-term results had destroyed the readiness that could have enable Chrysler to change its competitive position. In the end, Chrysler was unable to alter its situation and another trait of the defensive approach to external dynamics – a fusion with another company – was the way out for Chrysler.

In conclusion of this section, the challenges for strategic management in Western firms can be formulated as follows.

Within the next three to five years Western companies will be under pressure to drastically improve their ability to develop businesses/change competitive position while at the same time maintain an effective operation of current activities. This generates a need to regard strategy as something else and more than we regard strategy at present – the challenge is to regard strategy as a balance between (innovative) business development and effective operations.

4. The theoretical foundation development in the same period

Let us take a look at the theoretical development since 1990. The history of strategic management theories can be perceived as an attempt to complete the SWOT concept (normally attributed to Andrews (1967)) and move beyond strengths, weaknesses, opportunities and threats in order to understand competitive advantage of companies. This has most notably been the case since 1990, so we will focus the discussion on strategic management theory on the debate within the research community on competitive. For a more thorough discussion and review of the history of strategic management theories, see Drejer (2002).

4.1 Value for the customer as competitive advantage

If we start externally, Michael E. Porter has been one of the major contributors to the idea that the competitive advantage of companies stems from the creation of value for the customer. According to Porter (1985), competitiveness is what the customer is willing to pay for. Thus, a first attempt to define competitiveness could be to take a look at value to the customer derived from the products and services of the firm (Porter, 1980, 1985). All of this point towards the idea that a firm can achieve competitive advantage based on several kinds of positional advantage. There are three main forms (Porter, 1996):

(1) *Positional advantage from an attractive industry structure*. In some cases all firms in an industry benefit from that industry's structure. For example, there are industries with very few firms (that typically are more profitable than industries with many firms). Airbus and Boeing, as the only manufacturers of large, commercial aircraft in the world, are examples of this kind of advantage.

(2) *Positional advantage from heterogeneity within the industry*. Often positions within an industry create advantages for the firms occupying them. For instance, a firm with a dominant position in an otherwise fragmented industry is usually more profitable than the other firms. An example could be the advantages that large fast-food chains have enjoyed over small, independent fast-food outlets. The smaller firms have higher costs and less brand equity than their dominant rivals that leverage economics of scale in operations and branding to sustain their position.

(3) *Positional advantage from a network of relations*. A firm may derive positional advantage from its relationship with buyers, suppliers, or competitors. For example, most car manufacturers have been able to define and manage their supply chains from (almost) raw material to end-user in a manner that is very advantageous and efficient.

To Porter and his followers, strategy is merely a matter of creating a unique position relative to the customers of the company. It is possible to argue that this is a reactive approach to strategic management since it involves adapting the resources or competencies of the firm to the market conditions and competitive posture. Strategic considerations become outside-in and positioning is the only key to competitive advantage.

Since the 1980s, many people have questioned parts of Porter's thinking and tried to complement his work in different ways. Quinn, in his 1992 book, quotes Levitt's famous paraphrase that notes that "... millions of quarter-inch drill bits are sold not because people want quarter-inch drill bits but because they want quarter-inch holes. People don't buy products, they buy the expectation of future benefits ..." (Levitt, 1960; quoted in Quinn, 1992, p. 175). Consequently, a firm may very well offer a given (physical) product, but the customer, who defines the competitiveness of the company by his actions, may perceive the value of the product very differently from the company. This has been a common knowledge in marketing theory for some time now. For instance, Kotler, in his 1999 marketing book, defines a product as: "...anything than can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need...". We can conclude that the 1990s have helped us realise that customers no longer had to have fulfilled their basic needs but also their, more or less random, desires. From this recognition stems the notion of an expanded production conception with several layers, on image creation, branding, service management and many other concepts that are not related to the basic products offered to customers but, nonetheless, are order winners in the market place. In short, the latest challenge to Porter's view of competitive advantage as an unique position relative to customers is customization based on efficient segmentation of the market.

4.2 Business development as competitive advantage

It is not enough to look at the customer and his or her current needs and wants. Position needs to be supplemented with other views of competitive advantage and forms of competition, with different time-horizons and characteristics in order to cope with the hypercompetitive dynamics of the new competitive landscape (Hamel and Prahalad, 1994). So what are those "other forms of competition"? Hamel and Prahalad (1994) have been among the few to discuss this explicitly in some detail, and they propose that competition really has three sides to it; product-market competition, competition to foreshorten migration paths, and competition on industry leadership. The two "new" kinds of competition are as follows:

(1) *Competition for industry foresight and intellectual leadership.* This competition is to gain a deeper understanding than others on the factors (be they technology, demography, life style or others) that could be used to transform current product-market competition by, for instance, creating new opportunities, new products, new ways of viewing customer needs, etc. This kind of competition has a very long time-horizon compared to the others.

(2) *Competition to foreshorten migration paths.* In between the battle for intellectual leadership and battle for market share is the competition to influence the direction of industry development, i.e. a race to accumulate the necessary competencies, to test and prove out alternate product and service concepts, to attract coalition partners with critical complementary resources, and many other things. This kind of competition has a middle time-horizon compared to the others, leaving product-market strategy as the competition with the lowest time-horizon.

In short, Hamel and Prahalad's work offers an expanded view of competition, where the well-known competition for position is supplemented with two other forms of competition with longer time-horizons and different contents. Nonetheless, Hamel and Prahalad (and Porter) fail to tell us where the businesses of the future – question marks – are to be developed and implemented. Hamel and Prahalad are not very operational when it comes to the *how* of the two supplementary forms of competition in a company. Here Mintzberg has been instrumental in attempting to supplement the work on positional advantage by emphasizing business development as a cross-functional activity consisting of market development via product development to competence development. To Mintzberg, business development is the activity responsible for generating new question marks into the Boston matrix and for transforming these question marks into stars over time. This is an aspect of strategy that is not covered by the work on positional advantage at all. Of course, Mintzberg is not the only one to have concluded this. Similar conclusions have been drawn in some of the contributions to the field of strategic management of technology – where some speak of integrating technology development with business development (Bhalla, 1987;

Dussage *et al.*, 1991) – as well as the field of innovation management – where the notion of innovation = invention + commercializing + competence development and organizational change.

Based on Mintzberg's work, one might conclude that positioning perhaps needs to be viewed in a broader perspective than positioning of individual products on individual markets, the SBU way of thinking from portfolio planning. Perhaps it is more natural to consider the positioning of business systems relative to the market? At the same time, the above view of business development makes it possible to create competitive advantage in a proactive manner by looking inside-out for markets, where the resources of the company can be applied. Or, as Porter would put it, reposition the company by means of business development.

4.3 Dynamic capabilities as competitive advantage

The consequence of the last conclusion is that the resources – or competencies – of the company become paramount for the creation of competitive advantage (Aaker, 1999; Drejer, 2002). For the last ten to 15 years, many have come to realize (again) that the resources of the company can also be a source of competitive advantage and enables the company to develop new businesses for the market, rather than consider the organization as a necessary evil (Wernerfelt, 1984). This, we feel, is mirrored in the vast attention devoted to concepts such as the learning organization, redesign of business processes (Hammer and Champy, 1993), human resources, mission statements and many other new management fads. For an excellent review of the development of new management fads – and what they seem to have in common – see Drejer (2002) for the strategic version. Nonetheless, the last ten to 15 years has given us a supplementary understanding of how companies can create competitive advantage. This has happened via the resource-based view of strategy (Grant, 1995; Wernerfelt, 1984), critical capabilities (Eisenhardt and Martin, 2000; Teece *et al.*, 1997) and, not the least, core competencies (Drejer, 2002; Hamel and Prahalad, 1994).

Normally, the conception of core competencies is attributed to Prahalad and Hamel (1990), so why not start there. In 1990, Hamel and Prahalad defined core competencies as: "... the collective learning in the organization, especially how to co-ordinate diverse production skills and integrate multiple streams of technologies ...", (Prahalad and Hamel, 1990, p. 82). Furthermore, Prahalad elaborates on this as:

$$\text{Competence} = (\text{technology} \bullet \text{governance process} \bullet \text{collective learning}).$$

Regarding a core competence, Hamel and Prahalad says it must be subject to three tests:

(1) Is it a significant source of competitive advantage?

(2) Does it transcend a single business?

(3) Is it hard for competitors to imitate?

This points towards the main contribution from Hamel and Prahalad – and their followers – the definition of competencies as a part of strategic management. From a strategic view-point, core competencies are those competencies that provide the firm with a competitive advantage via the execution of the competence, for instance, the way in which Nike manages its worldwide net of sub suppliers. Core competencies have been built-up over time and are not easily imitated. For instance, it will be very difficult to get access to the knowledge of Nike managers on subsuppliers not to mention imitate Nike's credibility with the suppliers. Core competencies are distinct from competencies which are not "core". Such other competencies may be either enabling or supplemental competencies. Supplemental competencies are those that add value to the core competencies but that could be imitated, for example, the distribution channels of Nike or its strong but not unique packaging design skills. Enabling competencies are necessary but not sufficient in themselves to competitively distinguish a firm. For instance, quality management skills and systems are increasingly the price for entering the competitive game rather than the road to superiority. Evidently, some core competencies will – over time – slip and become enabling competencies if nothing is done to preserve the core competence and make it impossible to imitate, for instance, if the core competence contain proprietary knowledge (unavailable from public sources) or is developed constantly beyond the competitor's competencies.

4.4 Subconclusion

In light of the need for strategic managers to deal with business development and innovative activities, it is disturbing to note that theory on strategic management, over the past decade, has failed to provide models and framework for doing just that. Instead, it seems as if scholars within the area has been engulfed in a fruitless war over who and what defines competitive advantage, rather than on how to create advantage!

5. Conclusions and reflections

Taking a long hard look at strategy theory related to its practice reveals that there are several challenges to deal with – related to both theory and practice of strategy.

5.1 Strategy theory has lost its way

We will assert that a large proportion of the recent and fashionable work claiming to be *strategic* in fact represent tactical areas and means to secure operational effectiveness, rather than the differentiating and innovative business development that we have identified the need for. Consider the contributions on business process re-engineering, business excellence, balanced scorecard, quality strategy, strategic technology planning, and many others. Even according to what Michael Porter relatively recently has written on "what a strategy is", these are contributions that are means to create operational effectiveness. Therefore, we must consider them tactical and precisely not strategic!

Based on this statement, we will argue that strategy theory has gotten lost after the seminal work on strategy as the development of products on appropriate markets (Ansoff, 1965; Levit, 1960) combined with consideration of the internal strengths and weaknesses of the company (Andrews, 1967; Penrose, 1957). We feel that there is a need to take a step back and reconsider what strategy is about compared to what strategy is sometimes said to be about in its more modern manifestations. We find it particularly useful to take a closer look at some of the seminal contributions compared to some recent ones and investigate if there is anything that justifies the differences. Consider a classical definition of strategy from Ackoff (1970):

- Strategy deals with concerns that are central to the livelihood and survival of the entire corporation, and usually involves a large portion of the organization's resources.

- Strategy represents new activities or areas of concern, and typically addresses issues that are unusual for the organization rather than issues that lend themselves to routine decision-making.
- Strategy has repercussions for the way other, lower-level, decisions in the organization are made.

From Ackoff, we see that strategic management has "always" been perceived as a continuous management activity, of course supplemented with formal activities dealing with tactics and operations (or implementation). However, such supplements clearly were never meant to be part of strategic management or thinking but something else.

Since then, the planning and programming of the supplementary activities seems to have become "the whole" of strategy as argued forcefully by Mintzberg (1994). In fact, the debate of recent times on strategic thinking versus strategic planning shows how much we have come to miss the point. There is no dilemma and there was never a dilemma, of course we need both planning and strategic thinking (Drejer, 2002), but that is besides the point. From the outside, strategy was about strategic thinking and planning/programming were other, separate activities (at least according to Ackoff) belonging to the tactical level. At the same time, a vast number of new "strategic" contributions have washed up on the shore of the strategy discipline in recent years including quality strategy, IT strategy, branding strategy, manufacturing strategy, product strategy and many, many others. These contributions are clearly directed at different parts of a company, different organizational levels, and have fundamentally different purposes among them (Drejer, 2002). In that light, the solutions seems to be to go back to the very core of strategy theory while at the same time apply the thinking that we have introduced in this paper. This gives us the following definitions:

- Strategic thinking represents innovative thinking about new activities and relationships at the organisational level. The key activity here should be business development understood as the development of products and competencies at the same time. The purpose of the change of the strategic foundation of the company and the unit of analysis is at the level of competencies and product-markets.
- Strategic planning represents the analysis and formulation of action plans. The key activity here should be the translation of business ideas and scenarios to consequences for the market, resources, structure, etc., of the company in order to find the opportunities for developing the company fast and correctly to the realization of the strategic thoughts.
- Operations mean the operation of the existing activities within the boundaries defined by the current environment, strategy and resources available. The key activity is small improvements, the unit of analysis is organizational units and the purpose is productivity.

Evidently, strategic management should be closely linked to (productive) operations, but managerially the two represent quite different tasks. Furthermore, we find that there are a number of research challenges related to the strategic managerial task that are unique compared to the challenges of the operations task.

5.2 Managers need to practice
Finally, it is quite possible to argue that hypercompetitive conditions are not a threat but an opportunity for agile and dynamic organisations Therefore, we need to get managers to practice strategic thinking, innovation management and business creation. This seems to be the only way to deal with turbulent conditions, rather than the attempts to avoid dealing with the environment. And by combining the right kind of theory-building with managerial practice, perhaps we can get strategy back to the days where strategy theory was geared towards the needs of the environment and managers actually practiced (some of) the theories on strategic management. We need to get back to basic and beyond!

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