Strategic Innovation

Systematic review of Strategic Innovation and related concepts

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Management summary

A lot of organizations are dealing with highly volatile markets, globalisation forces, fast changing customer demands and fierce competition which in their turn causes a 'profit squeeze'. Organizations need to redefine their market strategies. This is a very complex and time consuming process. One way of redefining an organizations strategy is through a strategic innovation process.

According to the academic review of Schlegelmilch et al. (2003), strategic innovation is the combination of innovation and strategy. In this paper, the review of Schlegelmilch et al. (2003) is used as a starting point. According to their review *'Strategic innovation has been described as the fundamental reconceptualization of business models and the reshaping of existing markets by breaking the rules and changing the nature of competition'.*

Surprisingly, a currently 'hot' topic like strategic innovation is built on a thin body of literature. Besides that, the academic world uses a lot of synonyms and different definitions. This paper tries to achieve a clear, consistent and overarching view by reviewing literature published between 2000 and 2015 on strategic innovation and its related terms: strategic renewal, strategic change, strategic entrepreneurship, business model innovation and value innovation.

The goal of this review is to provide the academic field with recommendations about future research and to provide practitioners with clear overarching drivers and barriers of strategic innovation.

The most important contribution for the academic field is the need for separation when discussing innovation. At this moment, when talking about strategic innovation, most academics do not acknowledge the difference between incremental strategic innovation and disruptive innovation. A separation is needed because they both ask for a different approach from practitioners, and have a different goal. Incremental innovation has its focus on a follower strategy and disruptive innovation on a first mover strategy. In this review the different concepts are divided into three pillars (strategic change and strategic renewal & strategic entrepreneurship & business model innovation, value innovation and strategic innovation). These concepts are combined because they contain a lot of similarities, for example level, goal and innovation types. These concepts can be further researched per pillar, instead of all a part or all together.

From the review literature, it was found that the main drivers/characteristics of strategic innovations are: organizational learning, dynamic capabilities, reshaping and redesigning, creativity, experimenting, risk taking, importance of employees, involvement of the whole value chain, co-development, customer orientation and TMT and CEO's. Most important barriers include managers, dominant logic, combining established daily routines with strategic innovation activities and employees. These are all extensively discussed in chapter 4. This chapter will give managers some sort of handle on how to tackle strategic innovation, and what to beware of during the process.

This review is conducted conform the rules of the systematic review method from Tranfield et al.(2003). At the basis of this review lies the input drawn from the database 'Web of Knowledge'. In total 148 articles are reviewed.

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1 Introduction

This paper is a systematic literature review of strategic innovation and its closely related concepts; strategic change, strategic renewal, strategic entrepreneurship, business model innovation and value innovation. The review is aiming at outlining the barriers, main drivers and overarching characteristics of the related concepts. The article of Schlegelmilch et al. (2003) is used as a starting point for the review. According to Schlegelmilch et al. (2003), strategic innovation is the most used term for applying innovation to corporate strategy. Strategic innovation is described as "*the fundamental reconceptualization of business models and the reshaping of existing markets by breaking the rules and changing the nature of competition*". Making the goal of strategic innovation trying to achieve dramatic value improvements for customers and high growth for companies (Schlegelmilch et al., 2003). It is about challenging the traditional mindset and focusing on the matching of internal systems and capabilities with outside opportunities (Geroski, 1998).

The reason for strategic innovation recently getting so much attention in academic literature is because a lot of organizations are dealing with highly volatile and uncertain markets, which causes a 'profit squeeze' caused by globalization forces, rapidly changing technology and product/service commoditization and of course increased competition (Matthyssens et al., 2006; Eisenhardt, 2002). In order to remain competitive or gain competitive advantage firms have to re-define their market strategies (Schlegelmilch, 2003; Diamantopoulos and Kreuz, 2003; Charitou and Markides, 2003; Markides, 1997, 1998). One way of doing so is strategic innovation. Strategic innovation challenges organizations to look beyond their established business boundaries and to participate in an open-minded, creative exploration of the possibilities (Charitou and Markides, 2003; Teece, 2010; Chesbrough and Rosenbloom, 2002). Strategic innovation is a major contributing factor to a firm's competitive advantage (Elenkov and Manev, 2005; Porter, 1985; Keupp, Palmie and Gassmann, 2012).

A systematical review should be beneficial to both academic researchers and practitioners because a lot is written about strategic innovation and its related concepts but no systematical review is provided which indicates overarching themes, drivers, barriers and characteristics. That is why this paper focusses on the combining aspects, to provide a clear outcome which can help practitioners to overcome their 'profit squeeze' and helps academic researchers by providing one overarching review where further research can build upon.

As mentioned before, the review of Schlegelmilch et al. (2003) is used as starting point of this systematical review. When composing their definition, three key elements arise: fundamental reconceptualization of the business model, reshaping of existing markets and dramatic value improvements for customers. This means that organizations should question everything about their particular industry, business model and competitors (Hamel, 2000). This will broaden their creative scope, which allows them to find opportunities where other companies see only constraints (Kim and Mauborgne, 1999). Hamel (2000) considers strategic innovation the competitive advantage for organizations intent on winning in the new economy. Definitions of the related concepts will be provided in chapter 3.

There are multiple arguments that speak for the theoretical and practical relevance of producing a review on this subject. First, although innovation literature has grown exponentially in the last decade, no comprehensive review about strategic innovation and its related concepts is written. There are reviews written about the organizational level of analysis (Keupp et al., 2012), but when talking about strategic innovation both organizational and environmental aspects should be included (Schlegelmilch et al., 2003; Teece, 2010; Hamel & Prahalad, 1994; Markides, 1999). The strategic innovation literature is characterized by inconsistencies, competing theoretical frameworks and knowledge gaps (Keupp et al., 2012)

Second, several years of strategic innovation research have failed to deliver clear and consistent findings and coherent advice to executives, let alone provide convincing 'best practice' solutions. One of the reasons is because there are a lot of related concepts (Schlegelmilch et al., 2003). But although these related concepts are alike, they still differ on some levels, for example if it concerns disruptive or incremental innovation and if it includes environmental or only organizational aspects. This makes it overwhelmingly complex literature for executives with very little practical guidance.

Outline of the paper

This paper is divided into five chapters. The first is the introduction which gives a description of the situation and complication, the research goal and the practical and academic relevance. The next chapter is about the method used during the process, which in our case is the structural review from Tranfield et al. (2003). Followed by the theoretical framework. This is the core of the thesis and will give a systematical review on all the concepts. The concepts are described in the following structure: general view on the concept, how to foster change and possible barriers when implementing. The following chapter (4) outlines the results of the theoretical review. By combining all the related concepts, a few main characteristics and drivers were found and a model is created to give a clear insight in differences between the clusters of strategic innovation. In the last chapter (5) the key findings are summarized, limitations are discussed, future research directions are given and most important practical implications for managerial use are provided.

2 Method

The review method is based on the article of Tranfield, Denyer and Smart (2003). They developed a methodology for developing evidence-informed management knowledge. The basis of this evidence-informed management knowledge is a systematic review.

The review method of Tranfield et al. (2003) uses three different stages: planning the review, conducting a review and reporting and dissemination.

Planning the review

According to Tranfield et al. (2003) it is important prior to the beginning of a review to form a review panel encompassing a range of experts in the areas of both methodology and theory. The goal of our panel is to direct the process through regular meetings and resolve disputes of the inclusion and exclusion of studies. The review panel consists of one master student business administration (University of Twente), an assistant professor Entrepreneurial Leadership and an assistant professor and PhD Strategic Management. Through meetings and feedback the right path is determined and held.

A review protocol (proposal) is written, which includes an extensive planning of the research, specific questions addressed by the study, the search strategy for identification of relevant studies and the criteria for inclusion or exclusion of studies in the review.

All articles chosen are screened and meet the requirements of the quality assessment. The requirements of the assessments consists of the search terms mentioned in table 1 (query), the identification of the keywords and search terms are built upon the article of Schlegelmilch et al. (2003) and other already read literature about strategic innovation and discussions within the review panel. 'Web of Knowledge' is used to retrieve the articles from. Important articles for the review (mainly explaining the core of the concepts) are checked on citation scores, just to make sure that it was the most used basis theoretical foundation for explaining the concepts by other authors. In order to make sure that other researchers also find that article valuable and usable.

The selection of the articles went as followed: first the title is read, secondly the abstracts are read. Relevant articles are retrieved, full text articles are roughly screened at first and, after a detailed evaluation of the text, some are chosen to include in the systematic review. The references list will provide a full list of the articles used.

Tranfield et al. (2003) claim that it is important to have the ability to stay flexible and creative during the literature review process, which was one of the reason the research questions change quite a lot during the process.

Conducting the review

According to Mulrow (1994), a systematic review should provide the most efficient and high quality method for identifying and evaluating extensive literature. Together with my mentors and with input of an outcome from a previous conducted review from a former student from the University of Twente we came up with several search terms of concepts that were closely related to strategic innovation.

There were 1001 articles retrieved from all databases available in 'Web of Knowledge' with the following search topics: strategic innovation or business model innovation or strategic entrepreneurship or strategic change or value innovation or strategic renewal. The publication years vary from 2000 till October 2015. At the end of this thesis the publication years till now were refreshed, 114 articles were found, and 10 new articles were included in the review. Besides that the snowball method is applied to the articles which were proven to be valuable for the thesis. This method added another 29 articles to the review. Most articles which were retrieved via the snowball method were written before 2000 and gave insight in basic understandings of the concepts. Together with the snowball method, a total of 148 articles were used in the review.

Table 1: diary of decisions made

Date	Database	Query	Publication years	# hits in database	# articles in review
12-01-2015	WOS	("strategic innovation" OR "business model innovation" OR "strategic entrepreneurship" OR "strategic change" OR "value innovation" OR "strategic renewal")	2000 till 2015	887	109
31-08-2015	WOS	("strategic innovation" OR "business model innovation" OR "strategic entrepreneurship" OR "strategic change" OR "value innovation" OR "strategic renewal")	2015	114	10

Table 2: articles by priority

Priority	Articles read
1	59
2	31
3	19
Snowball	29
Later included	10

In the end, from the 1001 articles from 'Web of Knowledge' articles a total of 119 were used.
The articles were filtered by reading the title first, after reading the title the abstracts were read. We decided not to exclude articles based on their title, just in case a misleading title was given to the article. After that the articles are prioritized, giving them a number from 1 till 3. '1' indicated the most interesting and valuable, often with one of the strategy concepts as main subject (for example a review article) and '3' indicated the least interesting and valuable, articles which often had one of the strategic innovation concepts as a subtopic of the research subject. First all the '1' articles were read, this provided solid basis before starting with the paper. After reading those articles, research questions and sub questions are designed, which obviously changed a few times during the process and when reading less priority articles (2 & 3). At the end of the process, all abstracts of the 1001 articles were read again and eventually some, at first instance 'left out articles' were read while some were included. This is done because a search for information is not a sequential process, information can be added in every step of the process (Webster

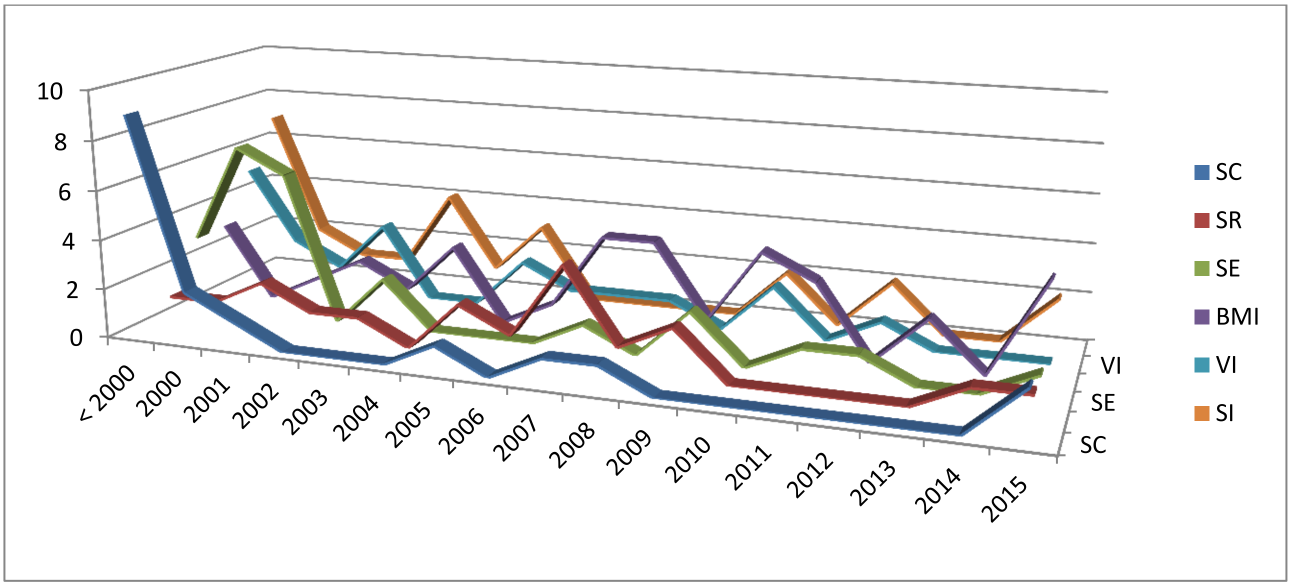
and Watson, 2002; Tranfield et al., 2003). By doing so a broader and wider review is created. During the review the concepts were evaluated one by one and if the found information was too moderate, a new search for articles was started.

Table 3: used articles per concept

Concepts	Articles used
Strategic change	15
Strategic renewal	18
Strategic entrepreneurship	24
Business model innovation	31
Strategic innovation	25
Value innovation	21

Table 3 shows all used articles per concept. More articles were read but didn't contain information related to the concepts, useful information or contained similar information as articles read before. Table 3 does not include all articles. Table 3 contains 125 articles and table 2 contains 146 articles, some articles aren't included in the table because they contained multiple concepts or mentioned drivers applicable to multiple concepts, they could not be appointed to only one concept.

Graph 1: articles per concept and year



As shown in table 3, strategic change and strategic renewal contain less articles. This is probably because strategic change and strategic renewal are 'older' concepts, and the foundation of these concepts have been described or researched before 2000. Graph 1 also provides evidence for this pronunciation. SC and SR became less interesting to research, academics might see them as less important because they take mostly internal business aspects into account. But when reading the articles published in 2015 (Glaser, Fourne and Elfring, 2015; Helfat, Constance and Jeffrey, 2015) we noticed that more and more attention is given to the environmental level of change in SC and SR.

Value innovation, business model innovation and strategic innovation are quite new concepts and are ‘hot’ topics for organizations. This is also visible in the graph, while the line of SC and SR have been flattened the lines of BMI, VI and SI are still ‘moving’.

Articles used for conducting the literature review (method) are Webster and Watson (2002), Tranfield et al. (2003), Nutley and Davies (2002) and Mulrow (1994). These articles are used to systemize the literature and give directions during the process.

Reporting and dissemination

The last stage of Tranfield et al. (2003) is about identifying key emerging themes and answering the research questions. The overarching drivers and barriers of the strategic innovation concepts can be valuable contribution for managers, because it can give direction to the path that managers should follow when wanting to apply innovation to corporate strategy.
The separation of disruptive and incremental innovation can be important to the academic field because at this moment, strategic innovation and its related concepts are thrown into one pile innovation wise, while there is a difference between the concepts in levels and in types of innovation (chapter 4).

This paper is written in an understandable way in order to provide managers or practitioners a systematic review which provides them with the evidence upon which to form their decisions. When translating research into practice it has been taken into account that the outcome should be understandable for practitioners. According to Nutley and Davies (2002) “*the translation of research evidence into practice is quite difficult because the relationships between research, knowledge, policy and practice are always likely to remain loose, shifting and contingent*”. By making an understandable framework and using a clear framework and descriptions, managers are able to put this knowledge into practice.

3 Theoretical framework

In this chapter all related concepts of strategic innovation are reviewed. Starting with the two concepts which mostly change through incremental innovation, followed by the concepts which change mainly through disruptive innovation and which are more complex to describe and therefore difficult to achieve. Followed by chapter four where the results of the review are described.

3.1 Strategic change

The strategic change is a very complex process which makes it very hard to identify, grasp, evaluate, explain and certainly to manage the change. It is seen as an important phenomenon given that it represents the means through which organizations maintain coalignment with shifting competitive, social and technological environments. These factors occasionally cause threats to the environment of companies which have an effect on their continued survival and effectiveness (Kraatz and Zajac, 2001).

Rajagopalan and Spreitzer (1996) and Van de Ven and Poole (1995) came up with the following definition: "*Strategic change can be defined as a difference in the form, quality or state over time in an organization's alignment with its external environment*".

Most of strategic change theories are based on open system theories of organization. They empathize the need for organizations to maintain co-alignment with changing contingencies in their external environments (Kraatz and Zajac, 2001). This theory acknowledged that a variety of organizational factors may complicate or intervene the relationship between environmental shifts and strategic change. Only in the past decade resource heterogeneity is becoming more important in explaining strategic change. Resource differences may affect both organization's propensity to change strategies in response to environmental changes, as the outcomes of strategic changes (Zajac, Kraatz and Bresser, 2000). The ultimate goal when changing a company's strategy is to pursue a fit between the organizational factors and the environmental shifts.

How to foster strategic change

According to Gioia and Chittipeddi (1991) and Kraatz and Zajac (2001) the strategic change initiation phases are focussed on figuring out new directions and on communicating a renewed interpretive scheme and organizational resurgence to various stakeholders. The activities that a CEO or management team has to undertake consist of four phases: envisioning, signalling, re-visioning and energizing.

The envisioning phase is about collecting information from the whole company. Most actions should be devoted to assessing potentials and possibilities. The top management team or CEO has to figure out and give meaning to potential strategy-relevant events, opportunities and threats (Gioia and Chittipeddi, 1991).

The signalling phase is about disrupting the status quo. The announcement of strategic change might inject ambiguity into a before stable organization. This could be seen as a tactic for facilitating change. This part of the process tries to get everybody involved, making them talk, think, worry, look around, and consider some of the assumptions that have been made about the business (Gioia and Chittipeddi, 1991). The ultimate goal is to create a common understanding. The management team or CEO has to make sure that the process is going to be politically justified, acquiring the necessary change. During the signalling phase the MT and CEO have to stay in contact with important stakeholders, at this point, giving them a change to share their hopes, concerns and expectations. These meetings will generate goodwill. It is important to have an aspiring vison for the renewal of the organization. A vision to which employees and stakeholders can relate and which makes them want to be a part of the change (Gioia and Chittipeddi, 1991).

In the re-visioning phase the CEO or president has to be a vivid symbol of the change effort to employees and stakeholders (Gioia and Chittipeddi, 1991). During this change, resistance and tension can be developed within the company but also within the management team. When this happens the president has to continue publicly push for a continued pace of change while encourage the other managers in the top management team to engage in more consultation (Gioia and Chittipeddi, 1991). The president eventually can modify some of his initiatives based on feedback from potential opponents and stakeholders.

During the energizing phase it is possible that some resistance still continue. The process of wider commitment starts and stronger impetus for the entire change effort is created, because all stakeholders are now included (Gioia and Chittipeddi, 1991). Widening the circle of idea sharing and consultation creates a positive effect. Further reinterpretation of ideas and initiatives can be realized by the top management team.

Two dimensions are important when describing the process of strategic change: sensemaking and sensegiving.

Sensemaking is a collaborative process of creating shared awareness and understanding from different individuals' perspectives and varied interests (Weick, Sutcliffe and Obstfeld, 2005). Sensemaking is not a single action but a process where people give meaning to experience. Sensegiving is about shaping how people understand themselves, their work and other engaged in that work (Foldy, Goldman and Ospina, 2008). Sensegiving-for-others can foster strategic change. This is a process of disseminating new understandings to stakeholders and employees to influence their sensemaking-for-self (Foldy et al., 2008). In short sensemaking deals primarily with understanding processes and sensegiving concerns attempts to influence the way another party understands or makes sense. The envisioning and re-visioning phases are sensemaking phases and the signalling and energizing phases are sensemaking phases.

Barriers

Boeker (1997) and Zajac and Kraatz (2001) found that some managerial characteristics and organizational growth are important to predict the inertia when going through strategic change.

Zajac and Kraatz (2001) mention that the performance of a company is one of the clearest indicators of the viability of its strategy and besides that an important predictor whether the company will change the markets it competes in. Poor performance indicates that the traditional manner of operating is inappropriate. Strategic and organizational changes may be necessary. Poor performance leads companies into problem-motivated search, which will lead to pressures for change (Boeker and

Goldstein, 1991). When firms are performing poorly they will overcome resistance to change more easily, using poor performance to legitimate changes. Successful firms, with good performance will, on the other hand, have more resistance and inertia to change. The extent to which resistance to change and inertia will dominate depends on the success rate of the firm.

It is the role of a chief executive to monitor the environmental changes and modify organizational strategy. Organizational leaders are the motivating force behind changes in products or the markets in which the organization competes, meaning that change in the CEO might come with changes in the organization's strategy. Chief executive succession has an important role in overcoming inertia and will initiate changes in the strategy of a firm. In contrast to a changing CEO, a long tenured CEO is less likely to make changes in the strategy of an organization, they are committed to the status quo. The longer the tenure the more rigid cognitive structures and the more commitment to established policies and practices (Boeker, 1997). Almost the same goes for the top management team. Especially groups with long organizational tenure have great social cohesion, this lessens the probability that one individual member will question and challenge the status quo (Michel and Hambrick, 1992). Divers' tenure in top management teams will increase the possibility of different attitudes towards the strategy. Heterogeneous teams which differ in cognitive and demographic structures are probably more creative and based on a broader set of information sources and perspectives when making strategic decisions (Wiersema and Bantel, 1992).

In conclusion it is so that long tenure chief executives, long tenure top management teams, homogeneous top management teams and successful companies with good performance can be a cause of inertia and resistance.

3.2 Strategic renewal

According to Agarwal and Helfat (2009): "*Strategic renewal includes the process, content and outcome of refreshment or replacement of attributes of an organization that has the potential to substantially affect its long term prospects.*"

Volberda, Baden-Fuller and Van den Bosch (2001) came up with the following definition of strategic renewal: "*Activities a firm undertakes to alter its path dependence. Important parameters of a journey of renewal include: behaviour of managers at each level of the organisation in response to each other; the way they view investing for tomorrow versus making profits today; and the way in which they share knowledge with each other across organisation boundaries.*"

As you can see Volberda et al. (2001) gives a more detailed description of the activities but they both focus on the same. A renewal, refreshment or replacement of attributes in an organization, with the focus on long term prospects. The company still has to make profits today. Most authors agree that renewal consist of multi-level co-evolutionary processes which take place over time and lead to the adaptations designed to align competencies with the environment and eventually increase competitive advantage.

There are two basic types of strategic renewal: discontinuous strategic transformations and incremental renewal. Discontinuous transformations get the most attention in management research (Floyd and

Lane, 2000). The cause of such transformations are often a matured or declining primary market, globalization, new competition, or major changes in customer demand or in technology. Strategic renewal is needed because such transformations cause a firm to fundamentally alter one or more aspects of its strategy and organization, which affect the long term prospect of a firm. If firms undertake incremental strategic renewal proactively, they might not need a discontinuous transformation, because they cope with changes in the external environment as they take shape, what reduces the need for a much larger and more difficult transformation later on.

Incremental renewal does not always have to be a response to a change in the external environment. A lot of firms conduct activities on a regular basis to facilitate renewal. One well known activity is R&D, this requires underlying processes, rules, routines and resources, along with the capability to develop and execute such activities, including dynamic capabilities (Rothaermel and Hess, 2007). A dynamic capability can be defined as: "*The capacity of an organization to purposefully create, extend or modify its resource base*" (Helfat, Finkelstein, Mitchel, Peteraf, Singh, Teece and Winter, 2007).

How to foster strategic renewal

Strategic renewal is not an event or detailed program it is rather a set of practices that can guide leaders into a new era of innovation (Binns, Harreld, O'Reilly and Tushman, 2014). It is quite difficult to make changes ahead of a crisis. So when should companies decide to enter this difficult process? If one of the following situations is applicable, strategic renewal might be a solution: 1) The company has limited opportunities for growth because the profits are dominated by maturing businesses. 2) There is a direct threat to core source of profits, and the incremental renewal phase has passed. 3) The threat, or opportunity is outside the core market. Most disruptive technological or strategic innovations come from competitors outside the core market. This challenges the very basis of an industry. Most companies are only focussed on their own industry competitors and fail to anticipate the extent to which new competitors would break the rules. 4) The new ways of making money are a threat to their core capabilities. Companies have to adapt or renew their strategies and fundamental rules to stay competitive.

In most young firms the middle managers are leading the shift, that top management essentially have to approve off. But in most instances of strategic renewal top management is leading the shift (O'Reilly and Tushman, 2008). The change applies to several levels of analysis, across firms, through inter-firm relationships, within industries, across industries and within a network of firms (Helfat et al., 2007). Most managers and employees find it easier to resist change than to embrace it.

Binns et al. (2014) came up with a few handles for senior managers and leaders to create a greater acceptance and higher success rate of applying innovations into their strategies. The key aspects are: Senior management has to select growth aspirations that connect with people emotionally, this will speak to the core identity of employees and will motivate them to come to work every day. Besides that senior management has to treat strategy as a dialogue. They have to engage line managers in their strategy process. By engaging line managers throughout the whole company senior managers can achieve a support system, a sort of leadership community which can enlarge the acceptance throughout the company. Strategic dialogues can help organization grow new businesses through experiments (Binns et al., 2014), which might create opportunities to explore the future.

In conclusion, management should understand that renewal does not have to compete with the pressures of day-to-day activities. Management should bring as much focused execution to strategic renewals as it does to other projects. Senior management should keep the tension between short- and long- term priorities in balance (Binns et al., 2004).

Barriers

Even though continuous adaptation has proven to give potential benefits (Helfat et al., 2007), some firms only attempt major transformations. Most firms find it difficult to effectively manage the process of combining their daily routines with continual adaptation because this may conflict with the routines that enable companies to perform their current tasks (Volberda, Baden-Fuller and Van den Bosch, 2001; Helfat et al., 2007). Firms need to institutionalize continuous renewal through routines, organizational structure and incentives to conduct on-going renewal activities (Dyer, Kale and Singh, 2001).

In the end both incremental renewal and discontinuous strategic transformations can potential provide a major strategic change. A series of small incremental changes can accumulate into an even larger strategic change when viewed over a longer time span.

3.3 Strategic entrepreneurship

The intersection of strategy and entrepreneurship is called strategic entrepreneurship. This is described as the ability to navigate through the challenging environment while combining entrepreneurship and strategic management. The effective management of environmental threats and opportunities is called strategic planning. Strategic planning is the formulation of long-range strategic plans which takes a firms strengths and weaknesses in account. Strategic thinking is the greatest value of this process (Hitt, Ireland and Hoskisson, 2009) and according to Mintzberg (1994) it synthesizes the intuition and creativity of an entrepreneur into a vision for the future. It requires more of an external focus, it is a continuous search for new sources of competitive advantage (Kuratko and Audretsch, 2009).

Strategic management

Most research on strategic management is about understanding the differences between firm performance. By examining a firms efforts to develop sustainable competitive advantage (SCA) by a determinant of their ability to create wealth (De Carolis, 2003; Kuratko, Ireland and Hornsby, 2001).

Hitt, Ireland and Hoskisson (2009) and Kuratko and Audretsch (2009) say that strategic management entails the set of commitments, decisions, and actions designed and executed to produce a competitive advantage and above-average return. It is a process that guides how the basic work of the organizations is approached. When done right it ensures continuous renewal and growth of the firm providing a context for developing and implementing the strategy that drives the company’s operations (Kuratko and Audretsch, 2009).

Most frequently cited sources of SCA are the five forces theory of Porter (1985) which focusses on favourable market positions and the resource based view (RBV) from Barney (1991) which focusses on the possession of valuable, rare, imperfectly imitable, and non-substitutable resources characteristic for the firm. When combining those theories the contingency theory arises. By combining environmental and organizational contingencies the theory can predict changes in a firm's strategy and performance implications of the change, a balance between both is called strategic fit.

Entrepreneurship

According to Hamel (2000) the twenty-first century change is going to be abrupt, seditious and discontinuous. Besides that, the new competitive landscape includes a decreased ability to forecast, increased risks, fluid firm and industry barriers and new structural forms (Hitt and Reed, 2000). This creates a lot of complexities and uncertainties for companies. A twenty-first century company has to employ and create an entrepreneurial mind-set in order to use these uncertainties as a benefit. An entrepreneurial mind-set is able to capture the benefits of uncertainty with the focus on identifying and exploiting opportunities (McGrath and MacMillan, 2000). This means that entrepreneurship should include the identification and exploitation of previously unexploited opportunities, creating new resources or combining existing resources in new ways to develop and commercialize new products, move into new markets, and/or service new customers (Ireland, Hitt, Camp and Sexton, 2001; Ireland and Kuratko, 2001; Kuratko et al., 2001). Exploring novelty, emerging, and pioneering are all related to the development of radical breakthroughs. Disruptive inventions are at the core of entrepreneurial activity (Ahuja and Lambert, 2001).

Strategic entrepreneurship

According to Ireland et al. (2003), entrepreneurship and strategic management are often complementary or mutually supportive. Both disciplines are inseparable, which makes it difficult to understand one without the other (Meyer and Heppard, 2000). Besides that, according to Barney and Arikan (2001) there is a close relationship between theories of competitive advantage and theories of creativity and entrepreneurship. Wealth creation is the basis of both strategic management and entrepreneurship and both concepts focus on how firms adapt to environmental change and exploit opportunities created by uncertainties and discontinuities in the creation of wealth (Hitt et al., 2001; Venkataraman and Sarasvathy, 2001). In short, entrepreneurship is about creation and strategic management is about how advantage is established and maintained from what is created (Venkataraman and Sarasvathy, 2001). The core of strategic entrepreneurship is the combination of both perspectives in order to examine entrepreneurial strategies that create wealth and commercialize breakthrough inventions.

How to foster strategic entrepreneurship

Most important for managing the organizations resources strategically are an entrepreneurial mindset, the company's culture and entrepreneurial leadership (Ireland et al., 2003). When applying creativity and the process of developing innovation to that, competitive advantage is likely to be achieved.

According to Hitt, Ireland, Camp and Sexton (2001) and Kuratko and Audretsch (2009). The most important domains for strategic entrepreneurship are resources and organizational learning, external networks, innovation and internationalization.

Resources and organizational learning

One of the most frequently referred to strategies is the RBV arguing that firms resources, capabilities and competencies facilitate the development of sustainable competitive advantages (Barney, 1991). Provided that companies hold heterogeneous and idiosyncratic resources upon which their strategies are based. If the strategy and so the company is successful in leveraging these resources, competitive advantages will be achieved. Another critical firm-specific intangible resource is knowledge. Human capital consists much of a firm's knowledge base (Hitt et al., 2001), meaning that companies can create firm value out of the selection, development and right use of human capital. According to Hitt, Ireland and Lee (2000), knowledge is generated through organizational learning. Learning can help organizations to change, which means that learning new knowledge may be necessary or even essential to help a firm adapt to its environment.

External networks

External networks are getting more and more important because of the growing competitive environment. A network involves relationships with customers, suppliers and other competitors and often extent across industry, geographic, political and cultural borders (Gulati, Nohria, and Zaheer, 2000). Networks are most valuable when partners provide resources and capabilities that are complementary to the resources and capabilities that the firm owns itself. This will provide the company resources and capabilities needed to compete effectively (Gulati et al., 2000). This accounts for both indirect and direct ties. When a company gets experience in operating in networks it will develop social capital. Over time, companies will build trusting relationships and learn how to work effectively with their partners. Besides that, external networks give companies the opportunity to learn new capabilities (Hitt et al., 2000).

Innovations

To compete effectively in domestic and global markets innovation is considered critical (Hitt et al., 2000). Hamel (2000) even argues that innovation is the most important component of a firm's strategy. Because of the volatile and competitive landscape, and change being discontinuous and abrupt managers should think in non-linear ways in order to commercialize technologies, services, new business models. Successful commercializing allows a firm to provide directions for the future and evolution of an industry. An entrepreneurial mind-set is focussed on first mover advantages in order to earn monopoly profits, at least until a competitor imitates the product or comes up with a substitute. A company should always be focussed on inventing new goods and services as well as rejuvenating existing ones and successfully commercializing them.

Internationalization

Just like uncertainties in markets, complexity of doing business enhances entrepreneurial opportunities (Hitt et al., 2001). Globalization requires that managers and entrepreneurs develop a global mindset when managing the complex transactions, and interactions that are required in global markets. International entrepreneurship is seen as creating value in organizations by behaving proactively, innovatively and risk-seekingly when crossing national borders (McDougall and Oviatt, 2000). Internationalization has a positive effect on a firm's performance, companies learn new capabilities from the new markets they have entered and can use this new knowledge throughout the organization. The newly gained knowledge can be successfully used in other markets. Besides that, when companies internationalized they have economies of scale and a larger market from which the company can obtain returns on their innovations (Hitt et al. 1997).

3.4 Strategic innovation

Most academics say that strategic innovation is a combination of innovation and strategy (Schlegelmilch et al., 2003). The last decade provided a separate view on or strategy or innovation. Only in recent years researches begin to challenge the traditional mindset and combined both concepts, focusing on the matching of internal systems and capabilities with outside opportunities (Geroski, 1998). They claimed that by focusing on only the resources and existing capabilities of the status quo, the traditional mental model will bias and constrain a company's future (Baden-Fuller and Pitt, 1996; Kim and Mauborgne, 1997).

Academic researchers evaluated different cases of strategic innovation and found that the common theme under pinning all those cases was that the companies succeeded dramatically in attacking an established industry leader without the help of radical theological innovation (Markides, 1997, 2006; Teece, 2010; Schlegelmilch et al., 2003) and breaking the rules of the game in their industry. Strategic innovation is not an easy thing to achieve, academic literature shows that attacks on established leaders mostly end up in failure (Markides, 1997). So the companies that did not fail in attacking and also dramatically increased their market share, and even became market leader without a technological discontinuity, are worthy of investigating.

Markides (1997) claims that *"Strategic innovation occurs when a company identifies gaps in the industry positioning map, decides to fill them, and the gaps grow to become the new mass market".* Both Kim and Mauborgne (1999) and Hamel (1998) share the same vision.
Gaps can appear by changing customer tastes and preferences, changing governmental policies and changing technologies, but they can also be created by proactively by the company. These also happen to be triggers for companies to evolve and achieve strategic innovation. Possible ways of identifying gaps is by experimenting, a proactive thinking process and even by luck or accident.

How to foster strategic innovation

Academic researchers found some key commonalties in strategic innovation literature: fundamental questioning of mental models and tacit rules, the establishment of growth-visioning and creative processes to formulating strategy, the redefinition of market space and industry boundaries, and the achievements of dramatic value for customers and high growth for companies. (Schlegelmilch et al, 2013; Markides, 1997).

Based on literature research Schlegelmilch et al. (2003) recommended the following definition:
"Strategic innovation is the fundamental reconceptualization of the business model and the reshaping of existing markets (by breaking the rules and changing the nature of competition) to achieve dramatic value improvements for customers and high growth for companies."

According to Markides (1997) and Abell (1980) to get an understanding of how strategic innovation happens three basis issues have to be resolved at strategic level: *"Who is going to be our customer? What products or services should we offer the chosen customer? And how should we offer these products* *or services cost efficiently?"* Every company has to make choices with the who, what and how questions in the back of their mind. But there is a difference between coming up with a strategy and pursuing strategic innovation.

One of the key words in strategic innovation is redefining, for example companies have to redefine the mental model, redefine the (potential) customers the company wants to target and redefine the products and services you are offering. In short, redefining and questioning the existing definition of its business, asking themselves the question: "*What business are we in?"* (Schlegelmilch, 2003; Markides 1997). Table 4 provides a short description about in which levels of a strategy an organization can redefine and in which way.

Table 4: redefined strategy (Schlegelmilch et al., 2003; Markides, 1997)

	Strategy	Strategic innovation (redefined strategy)	Tips to achieve strategic innovation
Doing Business= Culture	In most companies the dominant mental model determines how the company is going to play the game; executes its strategy	Questioning the existing definition of its business. Redefine its mental model	Giving answer to what managers answered long ago. "*What business are we in?*"
How to define the Business = Process	Companies define business by the product the company is selling or define the business by the customer function it tries to fulfil or define the business as a portfolio of core competencies	Switching from ways to define business. Continually thinking about the business implications for the company. Breakthrough often arises when a company switches from its dominant way of doing business (for example customer-driven) and suddenly starts to thinking of its business in a different way (for example product-driven)	Companies should ask themselves: what could be possible implications when redefining? What should be the new tactics? Will our core competencies will allow us to carry out these tactics profitable. Companies should re-examine the way of doing business and evaluating the changes made every year.
Who = People	Companies are accepting customers as anyone who wants to buy the product or service.	Making the choice of customers a strategic decision. Company has to choose their customers strategically. Besides that the company should be able to serve the customer better or more efficiently than its competitors, focussing on its own unique bundle of assets and capabilities. Concluding a company should identify new	Defining not only the good but also the bad customers so the company can get rid of the bad. New customer segments don't only emerge when new customer needs emerge but also when customer priorities change. Companies should identify changing

		customers or resegment the existing customer base more creatively (form new customer segments).	priorities.
What = Process	Most companies believe that the choice of customers leads automatically to the choice of products and services the company has to offer. Identifies customer needs by asking the customer. Company is often supply- oriented	Companies have to think of the 'what' first before they think of 'whom' to target. First identify new or changing customer need, priorities or want, before developing new/improved products and services. Truly understand what the customers' (future) needs are. Company should become more Customer Oriented by changing its culture, structure, systems and incentives.	Tactics to better understand the customer: talk to customers, monitor non-customers their competitors, suppliers and employees. The company has to understand the whole value chain. Another way to create customer need is to experiment continually with new products until you find a create not obvious need.
How = Resources		Companies create new product or new way of doing business that is totally different form the way competitors do business by building on the organizations existing core competencies. By trying to satisfy customer needs which are based on new strategic assets that are unfamiliar to existing competitors the company will create strategic innovation	Take the knowledge of doing business in one market and utilize it in another market. A company can use the core competences developed for the existing business to create new strategic assets in the new business faster or more cheaply. As a company builds strategic assets, it learns new skills

Responses to (disruptive) strategic innovation

Strategic innovation is difficult to achieve, it is often only achieved by a few industry competitors, the others have to react upon the way that the strategic innovator disrupts the industry.

According to Charitou and Markides (2003), the difference between strategic innovation and disruptive strategic innovation is that disruptive strategic innovation changes the ways of doing business which is both different from and in conflict with the traditional way. Normal strategic innovation only changes the way of doing business. Disruptive strategic innovations share certain characteristics: they often emphasize different product or service attributes different from traditional approaches. Usually start as small and low-margin business, making them not interested to monitor for established companies. They often turn out to capture a large share of the established market (Markides, 1997; Charitou and Markides, 2003; Teece, 2010).

When disruptive strategic innovation happens, established companies cannot afford to ignore the new way of doing business anymore. They have to consider their next move, which is difficult because the new way of doing business conflicts with their own traditional established ways. In the early work of Christensen (1997) he claimed that disruptive innovations eventually grow to dominate the market. Which would mean that eventually every established company has to adapt to the disruption. This has been revised by several academics (Charitou, 2001; Gilbert and Bower, 2002; Hamel, 2000; Kim and Mauborgne, 1997; Markides, 2006) and they eventually came up with different ways of approaching disruptive strategic innovation.

Disruptive strategic innovation does not mean that the new way of doing business will overtake the traditional way. A lot of companies think they have to adapt to the new way of doing business because of the research on technological disruptive innovation. Disruptive technologies eventually replaced the existing technologies completely and the established companies who did not adapt to the new technology were left behind. Most disruptive strategic innovations manage to capture only 10 or 20 percent of the market (Charitou and Markides, 2003), which makes it neither superior nor destined to conquer the whole market. Established companies could consider making their traditional way of competing more attractive and competitive by investing in their own businesses.

Most new competitors build their success by launching new, non-traditional products. But over time, the innovators start to deliver the attributes that traditional customers value, customers who originally had remained loyal to the established companies. When this happens, established companies can chose to attack back and disrupt the disruption by focussing on a totally different product attribute, by doing so they disrupt the disruption.

Another option is to play both games at the same time by becoming an ambidextrous organization. By separating an new unit which will embrace the disruptive innovation. The products and services offered in these units often differ from the established products and services along dimensions such as level of personal service, price and target customer segment. These units should have a tight relationship with, and commitment from the senior management of the established company but the unit should have a high degree of decision-making autonomy, their own culture, rules organizational structure, processes, incentives and control mechanisms (Benner and Tushman, 2003; Hill and Rothaermel, 2003; Jansen, 2005; O'Reilly and Tushman, 2004).

The last option is to fully embrace the innovation and trying to scale it up. Companies have to abandon their traditional way of doing business. Innovation involves two extremely different activities: coming up with a new technological, strategic, service or product idea and then creating a market for it. Both activities have to be successfully combined but this doesn't have to be done by one company. The established company can 'steal' the technology from the pioneer and then grow the disruptive innovation into a mass market. Most established firms have the skills and capabilities to scale up products by learning form their previous market launches (Charitou and Markides, 2003).

3.5 Value innovation

All authors that wrote about value innovation agreed upon one important principle: innovation is the primary source of wealth creation. Meaning that the most economic value comes from innovations that directly impact customer value. Value innovation is creating exceptional value for the most important customer in the value chain (Dillon, Lee and Matheson, 2005). When focussing on the competition Kim and Mauborgne (1997) claim that the basis of successful value innovation is that companies try to make their competitors irrelevant, for example by finding or creating a gap in the industry positioning map (Markides, 1997). While the less successful companies focus their strategy on staying ahead of the competition.

According to Aiman-Smith, Goodrich, Roberts and Scinta (2005), value innovation occurs when "*organizational members are working on identifying better (new) ways to serve their current customers, and are identifying new markets*." By "organizational members" Aiman-Smith et al. (2005) really mean all members across the full value chain, for example market research, marketing, advertising, sales, distribution and service. Value innovation seems to link innovation to what customers value, value innovative firms are successful in redefining problems and transform these into performance criteria that matter to customers. When operationalizing the concept of value innovation, value innovation is an innovation that breaks through a dominant industry recipe (Matthyssens, Vandenbempt and Berghman, 2006).

Reasons for companies to strive for value innovation is the 'profit squeeze' caused by new technologies and product/service commoditization, highly volatile markets, globalizations forces and increased competition (Matthyssens et al., 2006; Eisenhardt, 2002).

How to foster value innovation

In the table below, a distinction is made between the traditional strategy logic and the value innovation logic. The differences are quite clear and contradicting.

Table 5: value innovation logic (Kim and Mauborgne, 1997)

Dimensions of strategy	Traditional logic	Value innovation logic
Industry Assumptions	Companies take the conditions of their industry as a given, and build their strategy on that.	Companies are looking for industry breaking ideas and quantum leaps in value
Strategic focus	Competitors set the parameters of their strategic thinking. Companies compare themselves with the benchmark and focus on building advantages. They compete for incremental share.	The ambition of companies is to dominate the market. They offer a leap in value.
Customers	Companies retain and expand their customer bases. Focus is on de differences in what customers value.	Companies focus on what unites customers. Powerful commonalities in features.
Assets and capabilities	Companies are looking for opportunities form the	Companies asses opportunities without being constrained by

	perspective of their own assets and capabilities	current business situation. Companies have more insight in how to turn potential ACAP into realized ACAP.
Product and service offerings	Companies competition takes place in boundaries defined by the products and service the traditional industry offers.	Companies often cross traditional boundaries. Looking from the customers perception: total solution offerings throughout the entire chain.

Important capabilities for creating value innovation are closely related to dynamic capabilities and absorptive capacity (ACAP). Absorptive capacity is *"the ability to recognize the value of new information, assimilate it, and apply it to commercial ends"* (Cohen and Leventhal, 1990). Zahra and George (2002) state that *"absorptive capacity is a set of organizational routines and processes oriented to knowledge management to produce a dynamic organizational capability".* Which would mean that absorptive capacity is a(n) (important) sort of a dynamic capability. Both authors state that absorptive capacity is an important capability for keeping competitive advantages.

Dynamic capabilities refer to *"the firms processes that use resources to match and even create change, specifically the processes to integrate, reconfigure, gain and release resources."* Dynamic capabilities are strategic and organizational routines by which an organization systematically generates and modifies its operating routines in the search for improved effectiveness (Eisenhardt and Martin, 2000). Zahra and George (2002) add to this definition that dynamic capability can be learned and is a stable pattern of collective activity.

During the development of their tool, Aiman-Smith et al. (2005) found a few aspects that can contribute to value innovation, these are completed with the input of Matthyssens et al. (2006), Dillon et al. (2005) and Kim and Mauborgne (1997):

Meaningful work
Employees need to be engaged. Meaningful work plays an important role in innovation and individual professional development. It also increases how cooperative and helpful employees are toward each other.

Risk-taking culture
Companies should see taking risks as an opportunity that potentially leads to higher profits. This can be achieved by experimenting throughout the value chain (Matthyssens et al., 2006).

Customer orientation
Companies have to try to identify the needs of both established and potential markets so they can deliver value products and services that satisfy the customers' needs. It also implies exploring and developing new business models and creating new markets (Aiman-Smith et al., 2005). Companies should try to have empathy with the users world (Matthyssens et al., 2006). Getting a deeper

understanding of the choices (non) customers are making. This is confirmed by the pattern Matthyssens et al. (2006) found in the cases they investigated. Most value innovation initiatives exhibit concept selling (solve buyers major problems across the entire chain) instead of product/component selling.

Agile decision-making

Companies should gather and use information from various levels of the company, they should involve people throughout the value chain which are more divers and have different perspectives to make better informed decisions (Aiman-Smith et al., 2005).

Business intelligence

Companies should have the capability to detect market and business trends and understand the strategic issues in the market by scanning the environment and understanding competitors (Aiman-Smith et al., 2005). It is important that people throughout the organization know what is going on with their customers and competitors.

Open communication

Employees should have the feeling that they can challenge and question practices that don't seem to add value. Multilevel employee input is valuable for the company (Aiman-Smith et al., 2005).

Empowerment

Employees should be empowered enough to independently identify and address problems. The company should give capable and skilled people the permission to innovate in their area (Aiman-Smith et al., 2005).

Business planning

Employees should recognize the process of business planning as part of their work. These practices should be integrated throughout the value chain (Aiman-Smith et al., 2005). A more creative approach to differentiation needs to be realized, from short-term product views to real solution thinking (Matthyssens et al., 2006). Besides that, the focus should be on long term relationships within the customer/network partnerships in order to increase the pace from new product/service to market.

Learning organization

Employees should be able to share knowledge across the value chain, it will help to create a deeper understanding of value creation (Aiman-Smith et al., 2005). Information about the customer is especially important. Companies need to make sure that this information is explicit within the whole organization (Matthyssens et al., 2006).

Learning relationships

Learning relationships with key accounts and innovative network partners need to be build (Kothandaraman and Wilson, 2001). Absorptive capacity is the ability to generate value out of learning relationships. Knowledge creating external value-networks are a competitive tool for opportunity driven knowledge creation (Buchel and Raub, 2002). Partners will be more driven to experiment and participate in risky ventures. Network relations and experimenting together can reduce the gap between potential ACAP and realized ACAP (Zahra and George, 2002), this will create a higher efficiency factor.

Barriers

Companies must deviate from the dominant industry rules. Value innovation is about breaking free from traditional assumptions about the industry and competitors. Eventually this will lead to the adoption of more effective behaviours. But breaking through established patterns is really difficult. Most managers claim that the mental models in their business shapes their way of thinking and influences the decision-making processes and outcomes. Most managers over-emphasize technology innovation and R&D but when used in isolation they are insufficient to create wealth (Dillon, Richard and Matheson, 2005). Managers have to have the willingness and ability to change obsolete routines and parts of the companies knowledge base (unlearning). Besides that the change should be embedded in a company's entire network (Aiman-Smith et al., 2005). External parties like suppliers and other network parties should cooperate and show commitment too. When external parties do not get on board it might provoke delay in market introduction or expectance.

In the end, each new business model will be challenged, diluted, imitated and commoditized due to fierce competition (Kim and Mauborgne, 1997; Stabell and Fjeldstad, 1998). Even successful established high market share companies can lose their competitive advantage (Charitou and Markides, 2003). Mostly obsessed by its large market share, the company falls into the trap of traditional strategic logic, forgetting al the lessons learned through the process of value innovation and trying to beat the competition instead of finding a new gap.

3.6 Business model innovation

Business model innovation is one of Schumpeter's (1934) five types of innovation. Back then he called it 'new ways to organize business'. Most research following Schumpeter's outcomes was focused on new products and new methods of production. Now that BMI has become increasingly important and interesting, because of its external developments like technological progress, new customer preferences and deregulation, which produces opportunities for business model configurations. The basis of business model innovation is open innovation as a mode of innovation in which companies prefer to look outside their boundaries in order to leverage internal and external sources of ideas, instead of relying on internal ideas to advance business (Chesbrough, 2003; Zott et al., 2011).

Two main complementary ideas seem to characterize research on BMI. The first is that companies commercialize innovative ideas and technologies through their business models and the second is that the business model forms a new subject of innovation, which complements the traditional subjects of process, product and organizational innovation and involves new forms of cooperation and collaboration. More and more scholars think that business model innovation is key to firm performance, saying that business model innovation is a vehicle for corporate transformation and renewal (e.g., Demil and Lecocq, 2008; Ireland, Hitt, Camp, and Sexton, 2001; Johnson, Christensen and Kagermann, 2008). A good innovative business model provides a basis for business success, even in competitive markets with powerful influential established companies (Casadesus-Masanell and Zhu, 2013).

A key element of business model design is to figure out how to capture the value from innovation (Teece, 2010; Markides, 2006). Technological innovation by itself does not automatically guarantee business or economic success. It should be coupled with the development of a business model that defines strategies on how the product should enter the market and how it should capture its value (Markides, 2006). It is necessary to get the business model and the technology strategy right, to achieve commercial viability, because by doing so a company can built a sustainable competitive advantage and innovators are able to profit from their innovations (Chesbrough, 2010). BMI does not discover new products or services itself. It redefines what an existing product or service is, and the way it is provided to the customer (Markides, 2006). It often emphasizes different product or service attributes, which changes the traditional business models of the established competitors in the industry.

It is difficult to design a good business model, and even more difficult to innovate through your business model. But what exactly is a good business model? A good business model yields value propositions that are compelling to customers, achieves advantageous cost and risk structures, and enables a significant value captured by the business that generates and delivers products and services (Teece, 2010; Markides, 2010; Baden-Fuller et al., 2008; Zott and Amit, 2007, 2008).

Teece (2010) came up with the following comprehensive definition of a good business model:
"Entrepreneurs and managers need to have a deep understanding of user needs, consider multiple alternatives, analyze the value chain thoroughly so as to understand just how to deliver what the customer wants in a cost-effective and timely fashion, they need to adopt a neutrality or relative efficiency perspective to outsourcing decisions, and have to be good listeners and fast learners."

According to Teece, Chesbrough, Schlegelmilch and Markides innovation in new business models and the creation of new organizational forms and organizational methods are of equal, if not greater importance to society than technological innovation. The innovator will fail if he is not able to offer a compelling value proposition to the customers and set up a profitable business system to satisfy the customers with the requisite quality at acceptable price points, even if the innovation itself is remarkable. New technology needs to be matched with business model innovation.

How to foster business model innovation

Redesigning a business model requires a lot of creativity and insight, besides that companies should have a solid base of accurate competitor, supplier and customer information and intelligence. BMI is about having a deeper understanding of the fundamental needs of customers and how current competitors are not satisfying those needs and the organizational and technological possibilities (Teece, 2010). It is a process of experimentation and learning, a business model might not be clear up front, adjustments during the process will be necessary.

Most used business model experimentation tools are Osterwalder's 9 point decomposition of a business model (Osterwalder, 2004) and the visual depiction of IBM's view of a component business mode. Both models have a pro-active attitude towards experimenting. These tools visualize the processes underlying a business model, this will make the process much more concrete. But tools cannot promote experimentation and innovation by themselves (Chesbrough, 2010). Managers need to have enough authority and the right organizational processes to undertake experiments. Processes that relate to experimentation and effectuation and organizational leadership tend to be most important.

A BM is often successfully pioneered after a process of trial and error (Chesbrough, 2010; Teece, 2010). Most of the time it is not at all clear what the eventual redesigned business model will turn out to be. Experimentation can help identify it and create the data needed to justify it (Chesbrough, 2010). The same accounts for systematic deconstruction. Systematic destruction of existing business models, and an evaluation of these decomposed elements can be useful to get more insight in how business models work. Companies should question each element. Is there a possibility to refine, delete or replace this component (Teece, 2010)?

According to Teece "*The selection/design of business models is a key micro foundation of dynamic capabilities – the sensing, seizing, and reconfiguring skills that the company needs if it is to stay in sync with changing market's and which enable it not just to stay alive, but to adapt to and itself shape the changing business environment.*" It is important to learn from the process of business modelling because it is provisional, meaning that it will be replaced over time by and improved model that can take advantage of further organizational or technological innovation (Chesbrough, 2010). The more the company learns and experiments the easier the process gets.

Barriers

If business model innovation (BMI) fosters higher profits why do not more organizations conduct experiments into searching for potential new business models before the time comes when external innovations render their traditional ones redundant?

Before focusing on the barriers, it is important to know that not all disruptive market innovations need business model innovation. Most managers think that when they create/invent new products that disrupt their competitors, they need a fundamental change in their own business model as well. This is not always the case. Sometimes a slight change in the existing BM is enough. Proctor & Gamble often develop disruptive market innovations, but they built their innovations on their existing business model and its established dominance in household consumables (Johnson et al., 2008).

It is quite difficult for managers because they have to change their way of thinking. Managers should ignore what their companies *are* and concentrate on what they *could be* (Schlegelmilch et al, 2003) and besides that companies should not *adapt* to external trends, but actively participate in *shaping* markets and external trends.

Amit and Zott (2011) identified novelty, lock-in complementarities and efficiency as key aspects of BMI. They claim that these aspects often conflict with the traditional configurations of firm assets. Managers could try to resist experiments that might threaten their ongoing value to the company (Amit and Zott, 2011).

Johnson, Christen and Kagermann (2008) are also talking about the same barrier but he identifies the root of the tension in disruptive innovation as the conflict between the business model already established for the existing technology, and that which may be required to exploit the emerging, disruptive technology (Johnson et al., 2008). The distribution channels and the end customers may differ from the traditional business model. It is quite usual for a firm to allocate its capital to the most profitable uses. This will probably mean that a substantial part will go to the established technology, this means that the disruptive technology, which in the beginning does not generates a lot of profit, is starved of resources.

Chesbrough and Rosenbloom (2002) noticed a different and also more cognitive barrier, which builds on the theory of upon Prahalad and Bettis (1986), a 'dominant logic' of how the firms create value and then captures value. They claim that the success of established business models strongly influence the information that gets routed into or filtered out of corporate decision process.

Amit and Zott (2011) barriers arise in the phase when the managers what the new business model roughly is going to look like. They do not focus on the process by which firms create value-generating business models.
Chesbrough and Rosenbloom (2002) barriers arise before managers even know how they are going to shape their business model. In both cases, whether the barrier is confusion or obstruction the company has to be committed while going through an experimentation phase.

Compared to strategic innovation

To understand what Business model innovation is, we need to know the difference between strategic innovation and business model innovation. There is not a lot of information about the relation between SI and BMI. The theories and concepts which are available are quite contradicting.
For example Schlegelmilch et al. (2003) uses the following definition: *'Strategic innovation is the fundamental reconceptualization of the business model and the reshaping of existing markets to achieve dramatic value improvements for customers and high growth for companies.'*

One part of the definition is the *'fundamental reconceptualization of the business model'*. Managers can achieve this by asking fundamental questions about the market, customers and how the company can create value. This forces managers to look at the rules and assumptions that underlie the way business is traditionally conducted in their industry (Schlegelmilch et al., 2003)

While Schlegelmilch (2003) sees business model innovation as a part of strategic innovation, Teece (2011) claims that a business model is more generic than business strategy, and sees a changing strategy as a part of business model innovation. Teece (2007) stated that the business model reflects a "*hypothesis about what customers want, and how an enterprise can best meet those needs, and get paid for doing so*".

Coupling strategy analysis with business model analysis is necessary in order to protect competitive advantage results from the design and implementation of new business models (Teece, 2010). This requires segmenting the market, creating a value proposition for each segment, setting up the apparatus to deliver that value, figuring out isolating mechanisms that can be used to prevent the business model/strategy from being undermined through imitation by competitors or disintermediation by customers (Harreld, O'Reilly and Tushman, 2007). Which makes the authors conclude that strategy and business model analysis need to be combined to protect the competitive advantage and that a changing strategy is part of business model innovation.

Richardson (2008) provides us with yet another view on BMI and SI, he claims that a business model can play an important role in a firm's strategy, assuming that BMI can be an logical next step when implementing SI. The business model can explain how activities of the firm work together to execute its strategy, thus bridging strategy formulation and implementation. Meaning that BM executes and gives substance to what is formulated in the strategy of a company.

Zott and Amit (2008) claim that Business Model design and product market strategy are complements, not substitutes. So they can be seen as different, one cannot be a substitute for another. But they do not mention if one is a part of the other, they only noticed that SI and BMI are two different concepts, "*the business model is not the same as product market strategy or corporate strategy*" (Zott and Amit, 2008).

According to Markides (2006) business model innovation is a type of strategic innovation. According to him BMI captures the essence of strategic innovation without the ambiguity. Meaning that BMI is the discovery of a fundamentally different business model in an existing business. So BMI is a way to concretize strategic innovation. But Markides (2006) goes a little bit further by saying that business model innovation can only qualify as innovation when the model enlarges the existing market by attracting new customers or by encouraging existing ones to consume more. Making it much more than just a discovery of a disruptive new strategy on the part of the company.

As you can read a lot of authors have different opinions about the relation between strategic innovation and business model innovation, even though the goals and desired outcomes are the same there are some main differences. The fundamental differences between strategy and the business model concept is that strategy has its empathizes on competition, value capture, and competitive advantage, and the business model focusses more on cooperation, partnership, and joint value creation (Magretta, 2002; Mäkinen and Seppänen, 2007; Mansfield and Fourie, 2004). Besides that Chesbrough and Rosenbloom (2002) and Mansfield and Fourie (2004) found that the value proposition of a business model has a more generalized emphasis on the role of customer, this seems less pronounced in strategy literature. This means that the value creation aspect of the business model is more customer-focused. In general the business model encompasses the pattern of the firm's economic exchanges with external parties (Zott and Amit, 2008), by which you can detect essential details about the activity system the firm uses to create and deliver value to its customers, as well as the firm's value proposition for its stakeholders (Seddon, Lewis, Freeman and Shanks, 2004).

The definition of Zott and Amit (2002) is seen as most comprehensive. BMI and SI can be seen as different but one cannot substitute for the other, there complementary. In SI process BMI will give a more concrete and clear direction where to aim for with the decomposed aspects of strategy. Without using a business model, strategic innovation will stay full of ambiguity. How can you aim for strategic innovation if you do not know your own strategic process inside out, and you do not know where you want to go from there? BMI will also include a more external perspective and will enhance external networks to obtain more external knowledge.

3.7 Radical/disruptive or incremental innovation

Even though a lot of authors, when they are talking about strategic innovation (and also BMI, VI, SE), are still making a distinction between disruptive/radical and incremental/sustainable when or make no distinction and use innovation for both incremental as disruptive innovation.

In our opinion, SE, BMI, VI and SE can only occur when radically or disruptively changing the strategy. Needless to say, there is a difference between radical and incremental innovation. However, in our opinion this mostly applies to technology, product and service innovation. Some authors still use the first definition of Christensen (1997) when talking about innovation in strategy, but in fact this definition primarily focusses on technological innovations (Markides, 2006).

According to some authors, innovating in strategy or on business model level incremental innovation is about adapting your strategy or business model step-by-step to internal (or sometimes even external) changes of the company. Most often following other competitors in the industry. Incumbents often learn about new business models from entrants and respond by incorporating these innovations, in total or just a part of it, into their own businesses.

The strange thing is that some authors do make a distinction, but they often highlight an example which is obviously disruptive when talking about strategic innovation. For example, the changes in the airline industry, music industry, financial industry and the change to online business, like brokers. In our opinion incremental strategic innovation is just the normal process of adapting and changing the strategy. Authors should call it 'a changing strategy' rather than strategic innovation. Claiming that strategic innovation is only disruptive, not incremental. Incremental innovations can be a part of the process, but they are not the change that causes strategic innovation.

The same goes for strategic entrepreneurship. In strategic entrepreneurship the goal is to disrupt, trying to find fundamentally new ways of doing business while disrupting an industry's existing competitive rules (Hitt et al., 2001; Venkataraman and Sarasvathy, 2001). This will eventually lead to the development of new business models, which will again create new competitive businesses. Entrepreneurship by itself promotes strategic agility, flexibility, creativity and continuous innovation through the organization (Kuratko and Audretsch, 2009), meaning that incremental innovation is an effect of entrepreneurship and disruptive innovation is one of the goals of strategic entrepreneurship. The theory of strategic entrepreneurship does value sustaining innovation, saying that incremental innovation is the product of learning how to better exploit existing capabilities (Ireland et al., 2003).

According to Kim and Mauborgne (1999), improving efficiency by following strategies that are similar to the competitors will lead to a competitive trap: companies try to outdo each other, but they end up competing solely on the basis of incremental improvements in, for example, costs, quality or both. When following this type of strategy, strategic innovation will never be achieved, because no disruptive innovation is implemented.

An interesting overarching definition about disruptive innovation is given by Szekely and Strebel (2012). This definition is interesting because it gives an opinion on how companies should think strategically.

Radical innovation is game-changing innovation meaning that it is transforming the relationships and interactions between industry competitors, people's behaviours and lifestyles, and the aims of business (Szekely and Strebel, 2012). Claiming that companies should: *"Understand how dynamic systems interact. It involves a shift in thinking from analyses of separate parts and problems, to the perception of multiple interdependent wholes, feedback mechanisms and non-linear change."*

Charitou and Markides (2003) made a bit more of a subtle distinction. They divided strategic innovation in strategic innovation and disruptive strategic innovation. They tell the two apart by checking if a strategy is in conflict with the traditional way of doing business or not. According to Charitou and Markides (2003), disruptive strategic innovation is a way of playing the game that is both different from and in conflict with the traditional way of doing business. Meaning that 'normal' strategic innovation does not necessarily conflict with the traditional way of doing business, but it does have to differ from it. But strategic innovation is still a fundamentally different way of competing in an existing business (Charitou and Markides, 2003).
However, in our perspective, when businesses come up with a new way of playing the game, it conflicts with the traditional way of doing one way or another. Competitors have, in a certain way, adapted or changed their traditional way of doing business. So again, we disagree on this distinction.

The only two concepts where incremental innovation is also some sort of goal are strategic change and strategic renewal. According to the theory, these processes of change do not necessarily need disruptive innovation. The value added by incremental innovation can be as valuable as, and even more strategic and politically justified in this phase of the change process. For a company, it is easier to stay up to date by having step-by-step minor innovation and changes in their strategy than not staying up to date and abruptly have to implement a major change in the process. This will have a huge effect on the total value chain and might nourish inertia.

4 Results

When combining the collected information of all related concepts, a visible pattern can be pointed out. Similarities and differences between concepts are shown in table 6. Table 6 shows that SR and SC focus more on an organizational level change. And SE, BMI, SI and VI are combining both organizational and environmental level change. Most companies start their change process by focusing on change on an organizational level and start with incremental innovations. But organizational and environmental change need to be combined before fundamental industry rules and boundaries can be disrupted (Schlegelmilch et al., 2003; Markides, 1997; Teece, 2010). Both incremental and disrupted innovation can occur during the process of strategic innovation in an organization.

In table 6, one X represents that it is a characteristic of the concept and that it is present in the literature, two X's mean that it is a very important characteristic of the concept and no X means that it is not an important characteristic or that very little is written in the literature.

Table 6: important dimensions/characteristics during the process of achieving competitive advantage through strategic innovation.

Concepts	SR	SC	SE	BMI	SI	VI
Organizational learning	X		XX	X	XX	XX
Reshaping/redesign	X		X	XX	XX	XX
Dynamic capabilities (incl. ACAP)	X	X	X	XX	X	X
Top management team	XX	XX			X	X
Important role CEO		XX	XX			
Co-evolution/ Co development	XX			XX		
Networks	XX		XX			XX
Customer orientation				XX	X	XX
Importance total value chain				XX	XX	XX
Importance employees			X	X	X	XX
Creativity			XX	X	XX	X
Experimenting			XX	XX	XX	XX
Risk taking			XX	XX	XX	XX

4.1 Important most common characteristics/drivers

As you can see in table 6 there are a view characteristics which are important in (nearly) all strategic innovation processes. The characteristic are separated in four different clusters because some can be combined or have some overlap. When combining all the information given in the ‘theory’ chapter, added by some basic theories, we can draw the following conclusions.

Dynamic capabilities, organizational learning and co-development

Because competitive advantages no longer only rely on internal knowledge, but mostly come from successfully absorbing external knowledge, it is important that an organization has learning processes which are directed at exploring, assimilating, transforming and exploiting external knowledge (Camison and Fores, 2010; Lichtenthaler, 2009). This is called absorptive capacity, which is a type of dynamic capability. Dynamic capabilities enable organizations to respond to changes in the business environment (Teece, 2007). By using these dynamic capabilities they avoid a ‘competency trap’ meaning that some competencies might become irrelevant due to changes in the environment. Absorptive capacity is not static, but rather evolves through learning processes (Todorova and Durisin, 2007). Learning process supports organizations in converting external knowledge into innovations (Lichtenthaler, 2009; Hitt and Ireland, 2000). A company systematizes, socializes and coordinates knowledge by making its learning processes interact with its combinative capabilities (Zollo and Winter, 2002), making dynamic capabilities, especially absorptive capacity important characteristics for applying innovation to an organizations strategy (Gebauer, Worch and Truffer, 2012).

Learning starts with individuals, but before organizational learning occurs, information needs to be interpreted, distributed and institutionalized in all organizational routines, systems and structures. It depends on knowledge and skills of individuals, called human capital, and on the availability of effective systems for knowledge sharing, called social capital. This will help the company to go from knowledge exploitation to knowledge exploration (Gebauer, Worch and Truffer, 2012). Hitt et al. (2001) found that the transfer of knowledge within a firm builds employees’ capabilities (human capital) and contributes to higher firm performance.

Learning new knowledge is necessary to help a firm adapt to its environment, it can help organizations to change. Learning is a common reason for organizations for establishing alliances and participating in strategic networks (Gulati et al, 2000). Co-development partnerships are an increasingly effective means of innovating an organizations strategy or business model to improve innovation effectiveness (Chesbrough and Schwartz, 2007). According to Chesbrough (2003) the use of partners (co-development) in research or development of a new product or services can significantly reduce R&D expense, expand innovation output, and open up new markets that may otherwise have been inaccessible. This is also called open innovation.

The creative process also involves the generation of new knowledge (dynamic capabilities) and new forms of expression, entrepreneurial opportunity recognition is a learning process that initiates the creation of new wealth (Corbett, 2002; Dimov, 2003).

Creativity, risk taking, experimenting and reshaping/redesigning

According to Stabell & Fjeldstad (1998) eventually each business model will be challenged, imitated, diluted and commoditized due to intense rivalry, mostly caused by high velocity change in the industry and globalization. The only way to sustain competitive advantage is through launching new value concepts and continuously re-invent to way customer value is created and delivered (Matthyssens et al., 2005)

One way of doing so is applying innovation to an organizational strategy. Strategic innovation is about finding opportunities where others see constraints (Kim and Mauborgne, 1999). Companies need to depart form 'taken-for-granted' assumptions about existing competition, and existing markets. They need to change the nature of competition and deviate from the dominant industry recipe.

The only way to do this is by taking risks and experimenting throughout the value chain (Matthyssens et al., 2006). The more a company experiments, the more risks the company will take, but also the higher the chance they can create a new customers and markets.

Exploring new, emerging and pioneering technologies are related to the development of radical innovation (Ahuja and Lampert, 2001). Even though it is risky, it increases the chance of achieving competitive advantage. Eventually the company will learn from the process of experimenting and it will be easier to recognize possible opportunities, making experimenting a bit less risky.

In his early work, Schumpeter (1934) highlighted the importance of creativity and innovation within the context of market dynamics. Claiming that creative destruction involves the process through which organizations act and react in the pursuit of opportunities in free markets. The process is about revolutionizing the economic structure by destroying the old one, and creating a new one, it is an ongoing process.

Creativity is especially important for organizations operating in markets with multiple opportunities to differentiate goods and/or services (Barney and Arikan, 2001). Companies have to see creativity as an ongoing process rather than as the outcome of a single act. Important skills to foster creativity are the ability to manage divers matrices of information, to suspend judgment as complexity increases, to recall accurately and to recognize patterns of opportunities (Smith and Di Gregorio, 2002).

Creativity effects the way innovations evolve in both quality and quantity. Most often, organizational actors with substantial knowledge in one given area are likely to be creative in developing incremental innovations. Organizations with a breadth of knowledge across disciplines are likely to be creative in ways that result in radical disruptive innovations (Ireland et al., 2003).

Customer orientation, the importance of employees and the involvement of total value chain

Customer orientation is about getting a deeper understanding of the choices that customers, and also non-customers, are making. Organizations have to seek solutions from the customers perspective. *"Organizational members are working on identifying better (new) ways to serve their current customers, and are identifying new markets"* (Aiman-Smith et al., 2005). It is about combining both activities (serving current customer and remaining vigilant of non-consumption in emerging markets, Slater and

Mohr, 2006) successfully. Organizations should identify the new or changing customer's needs before developing or improving its service/products.

As said before, the human capital is known to be critical to organizational success (Hitt et al., 2001). By human capital we mean all knowledge, capabilities, experience and skills of the organizations entire workforces (Covin and Slevin, 2002). Both explicit and tacit knowledge are relevant to opportunity seeking and advantage-seeking behavior (Hitt et al., 2001). But knowledge as a resource is only valuable if managed strategically. Managers should bundle the most appropriate resources to create capabilities and to design effective leveraging strategies that can produce or sustain a competitive advantage and at the same time exploit identified opportunities.

It is important that the whole value chain knows all the available customer information throughout the company (Schlegelmilch, 2003; Markides, 1997). The same accounts for information about competitors and suppliers.

When involving the total value chain, which means employees throughout the entire company (and sometimes even the suppliers and customers too), the company will get different perspectives on the customer's needs and different insights on what kind of solution the company can offer, and how to approach these customers. Multiple perspectives give more dimension to the need of (non-)customers, making the success rate of the product/service higher.

When talking about the involvement of the whole value chain, the social capital is an important aspect. Social capital is the total set of value-creating resources that accrues the firm because of its durable network of intra- and inter-firm relationships (Ireland et al., 2002). It is important in inter-firm learning, inter-unit and inter-firm exchanges and for innovation and entrepreneurship (Ireland et al., 2002), this helps the firm to gain control over its resources and gain access to new resources and to absorb knowledge.

CEO's and top management teams

Heterogeneous top management teams (TMS's) appear to be more willing towards organizational innovation and diversification (Naranjo-Gil and Hartmann, 2007). Both innovation and diversification require that TMT's take a broad portfolio of strategic perspectives into account. Those teams share more cognitive resources and have more multi-faceted experiences and backgrounds. That is why, according to Carpenter et al. (2004) they are better able to identify and utilize opportunities in the environment. They are better in generating a complex and unpredictable mix of alternatives for strategic action (Naranjo-Gil and Hartmann, 2007).

CEO's should have an entrepreneurial type of leadership, they have to influence others to strategically manage resources in order to emphasize both opportunity-seeking and advantage-seeking behaviours (Covin and Slevin, 2002; Hitt et al., 2009). They should be able to focus on and capture the benefits of uncertainty. Organizations who are capable of successfully dealing with uncertainties like risks and ambiguity tent to outperform those unable to do so (Ireland et al,. 2003). So a CEO should be able to promote flexibility, creativity, continuous innovation and renewal under the cloak of uncertainty.

Both CEO's and management teams tent to be less successful when having a long tenure (Boeker, 1997). a long tenured CEO is less likely to make changes in the strategy of an organization, because they are committed to the status quo. The longer the tenure, the more rigid cognitive structures and the more commitment to established policies and practices (Boeker, 1997). This also accounts for TMT's.

Besides that the most important task of managers and CEOs' is that they should create a common understanding among employees and stakeholders during the change. It is important to make the change politically justified, this makes it easier for employees to abandon any doubts and resistance (Gioia and Chittipeddi, 1991; Kraatz and Zajac, 2004).

4.2 Most common barriers

There are also a few common barriers found in the literature. Most barriers arise because of the inability of the current managers to change their way of thinking, and the influence of the dominant logic and mental models existing in the firm. It might be difficult for managers to read this part of the results chapter because they might have to acknowledge that they are the biggest barrier.

Managers

In the previous section managers are seen as persons who can foster strategic innovation, but not all managers are capable of doing so. Managers can also block the process, this can happen in two ways. At firstly, most managers find it difficult to change their way of thinking, they have to focus on what they *could be* and they should ignore what their companies *are*. It is important that managers do not *adapt* to external trends, but actively participate in *shaping* markets and external trends. The problem is that the mental models in their business shapes their way of thinking (Schlegelmilch et al., 2013; Markides, 1997). Long tenure chief executives and long tenure top management teams can cause inertia and resistance because they are often committed to the status quo. The longer the tenure, the more rigid cognitive structures and the more commitment to the established policies and practices (Boeker, 1997).

Secondly managers could try to resist experiments because they think that it might threaten the ongoing value to the company, the traditional way of doing business. This is a legitimate concern but by doing nothing, profits will also reduce and competitors who do innovate and experiment will gain market share. In the end each new business model will be challenged, diluted, imitated and commoditized due to fierce competition (Kim and Mauborgne, 1997; Stabell and Fjeldstad, 1998)

Dominant logic

The way the company creates and captures value depends on the traditional business model. The current business model has a strong influence on the information that gets routed into or filtered out of the corporate decision process (Chesbrough and Rosenbloom, 2002). This means that the mental models in the industry influences the decision-making process as well as the outcomes.
This will create a tunnel vision which can create incremental innovation, and it prevents companies from innovating radical breakthroughs. The same accounts for learning traps. These serve as barriers to the development of breakthrough inventions. It is the tendency to favor certain forms of learning and thereby disallowing other forms(Hitt et al., 2001). Experimenting with novel, emerging, and pioneering technologies will help organizations to overcome these learning traps and foster breakthrough innovations (Ahuja and Lambert, 2001).

Combining established daily routines with strategic innovation activities

Most firms find it difficult to manage the process of combining their daily routines with effective continual adaptation because this conflicts with the routines that enable the firm to perform their current tasks (Volberda et al., 2001). Companies usually allocate their capital to the most profitable uses. This short term vision means that a substantial part will go to the established technology, because the disruptive technology often doesn't generates a lot of profit in the beginning.

Employees

Employees can cause a major barrier to the change process. Besides managers employees can also be stuck in the status quo of the company (Gioia and Chittipeddi, 1991; Kraatz and Zajac, 2001). It is difficult for them to change their daily working activities. Change processes evolve uncertainties and mostly change the culture of the company. Organizations do not want employees to cause inertia in the strategic change process because velocity can be essential in the fast changing business environment. Managers should consider creating shared awareness and understanding from different individuals' perspectives and varied interests (Weick, Sutcliffe and Obstfeld, 2005).

4.3 Most important differences between concepts

As you can see in table 6 strategic renewal and strategic change are missing some important dimensions in comparison with SE, VI, BMI and SI. As the literature review shows, risk taking and creativity are important dimensions when trying to achieve industry changing innovations. In our perspective creativity and risk taking are aspects of an entrepreneurial mind-set. The processes of SC and SR often provide incremental change throughout the process, which obviously is very valuable but often does not foster radical changes because they are missing an entrepreneurial culture, creativity and leadership.

When combining SR and SC with SE, entrepreneurial characteristics are added to the process. Companies are able to recognize and commercialize breakthrough inventions more easily when having a more entrepreneurial mind-set, and so more focus on creativity, opportunity seeking and risk-taking.

According to our analysis the main difference between SE and VI, SI and BMI is that an entrepreneurial mind-set is not necessarily focused on the demands of the customer, changing customer priorities and finding new customer segments. Strategic entrepreneurship needs a more customer –centred model because new regimes of communication in the knowledge society, transformed the traditional balance between customers and suppliers (Trimi and Berbegal-Mirabent, 2012). Managers need to select a different response to technological change, making the following question very important: *"how can technological innovations best be delivered to the customers?"* (Schiavone, 2011).

In our opinion business model innovation is the use of business models in a strategic innovation process. It could also be the other way around; while implementing a new business model, a gap in the market is found or created and strategic innovation is achieved. Either way BMI is through the use of a business model tool achieved disruptive innovation.

Business model reconstruction is an entrepreneurial initiative to "*design or redesign its core business model to improve efficiencies or otherwise differentiate itself from industry competitors in ways valued by the market*" (Covin and Miles, 1999). In this case the business model is seen as an attribute that explains how the company works and how it can create strategic innovation.

By combining SE with the use of business models customer orientation will be added to the change process. It is the job of the entrepreneurs to design a flexible business model that enables them to efficiently re-shape and adjust the operations and structure of the venture (Teece, 2010). Their value proposition needs to be constantly re-evaluated to ensure that their offer matches with the customer's needs. A business model is seen as an opportunity to unlock the entrepreneurial process, to evaluate the companies configuration effects and as a way to describe and predict entrepreneurial outcomes (George and Bock, 2011).

When an entrepreneur successfully implements a good business model which breaks the traditional rules in the market and, which are also in conflict with the current way of doing business strategic- and value innovation are achieved. First mover advantage, new market value and new customer value will provide the company with a competitive advantage which will create wealth for the company.

4.4 Combining and comparing strategic renewal and strategic

Most authors do not make a distinction between renewal and change, and treat them in the literature as one. We do make a distinction. According to the review, strategic renewal focusses more on the senior top managers, which in SR are held responsible for leading the shift. Their main goal is to engage line managers in their strategy process. This will eventually create a support system, which would enlarge the acceptance throughout the company.

This is different in strategic change because SC often focusses on one charismatic CEO or entrepreneur who has to create a common understanding, goodwill and an aspiring vision (Gioia and Chittipeddi, 1991; Kraatz and Zajac, 2001). Sensemaking and sensegiving are very important the strategic change process. Getting everybody on board during the process seems to be more important in SC than in SR.

Strategic renewal focusses more on line managers, and depend on the line managers to involve the employees, while in the strategic change process the CEO tries to get the employees on board by an aspiring vision, common understanding and goodwill. These processes use a different approach, while trying to achieve the same goal.

In figure 1 these concepts are combined because in comparison with SE, BMI, SI and VI, SR, and SC, they are mostly focussed on internal changes at organizational level. BMI, SI and VI also focus on environmental level. Because of its main focus on internal processes the top management team, the CEO/entrepreneur and the employees are the most important success or fail factors of the change process. Incremental continuous innovation is seen as the foundation of these change processes.

4.5 Combining and comparing strategic innovation, business model innovation and value innovation

According to Markides, Hamel, Pit and Clarke and Tucker value innovation is the same as strategic innovation, we agree that in the basis both pillars are the same, both focus on organizational and environmental factors of change. Schlegelmilch et al. (2003) claim that strategic innovation is the most used word for disruptive innovation in a organizations strategy, that is why in first instance the comparison between VI and SI is made. But in our opinion value innovation is a more complete and overarching concept. Value innovation has more focus on the importance of the added value of employees (Matthyssens et al., 2006; Eisenhardt, 2002). More attention on how the company should try to create open communication, empower employees more, include them in decision making, and the importance of employees throughout the value chain. We think employees can certainly make a difference during the change process. This might also be applicable to strategic innovation, but in the literature there is less focus on this angle of strategic innovation.

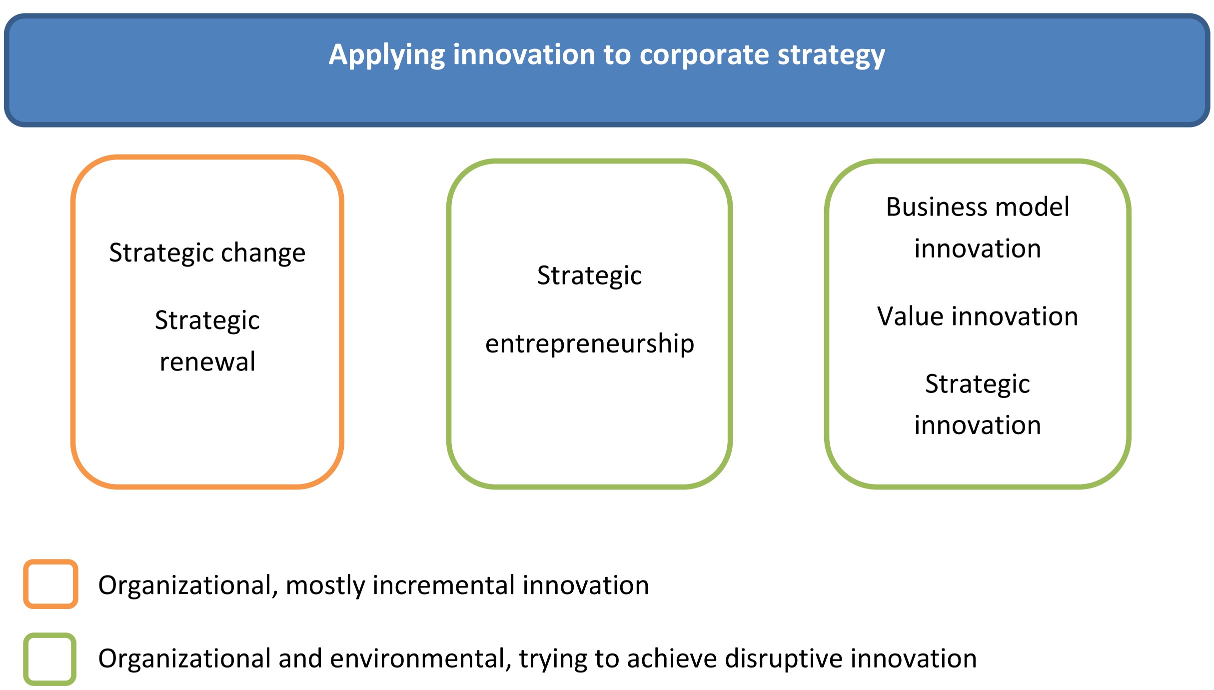
According to Schlegelmilch et al. (2003) a part of strategic innovation is a fundamental reconceptualization of the business model. Meaning that BMI is a part of strategic innovation. Teece (2007) sees it the other way around, claiming that a changing strategy is part of BMI. And Markides (2006) claims that BMI is a type of strategic innovation. In our opinion, which is quite the same as Zott and Amit (2008), that BMI and SI are not substitutes, but complementary. One cannot be achieved by another. BMI helps capturing the essence of strategic innovation without the ambiguity.

The reason the concepts are discussed separately is because literature shows that BMI has a more generalized emphasis on the role of the customer, and focusses more on the pattern of the companies economic exchange with external parties (Zott and Amit, 2008), for example cooperation, partnership and joint value creation. While strategy focusses more on competition, value capture, and competitive advantage (Magretta, 2002; Mäkinen and Seppänen, 2007; Mansfield and Fourie, 2004). So it does not really matter in which context you want to place BMI and SI they both have to be combined before disruptive innovation can be achieved.

Even though discussed separately in the review BMI, SI and VI are combined into one pillar in figure 1 because the basis of concepts are the same: breaking the rules of the industry by extensive customer orientation, creativity, experimenting, risk taking and the involvement of the whole value chain, including suppliers and customers in order to create first mover advantage, new customer value and new market value.

When combining this information the following figure is made.

Figure 1: pillars of strategic innovation



Concluding, when explaining the difference between the three pillars of the change process, the difference between focus on organizational or/and environmental perspective is the most important. On top of that a separation is made between SE and BMI, VI and SI because strategic entrepreneurship is missing an extensive focus on the customer, which is very important if organizations are focused on changing the fundamental rules of an industry. It depends on the focus of the company which concept of the pillar is more applicable.

When trying to allocate different types of companies to a pillar, a white collar company for example would pick strategic change and value innovation because these concepts tend to involve employees in the process more, and wants employees to be a valuable part of the process. A blue collar company might pick strategic renewal, because it is a more bottom down approach, and might choose strategic innovation, because it focusses less on the empowerment and appreciation of the employees. But more research is required before such claims can be made.

Switch from strategic change and strategic renewal to strategic innovation (and BMI, VI)

As shown in graph 1 (chapter 2) strategic change and strategic renewal are getting less popular for authors to write about. The graph shows that around year 2000 less attention is given to SR and SC. Table 6 is showing that SC and SR are missing the following drivers: risk taking experimenting, creativity, involvement of the total value chain and customer orientation. These drivers happen to be the most important drivers for strategic innovation. According to the theory SC and SR are more focussed on organizational factors instead of environmental factors. So in fact SC and SR are replaced by SI because it is a more complete and overarching concept. But which (environmental) development caused that researches started focussing more on external factors? There are a few factors that caused the shift:

- Profit squeeze due to fierce competition
- Globalisation
- Digitalisation/Internet
- Demanding customers
- Declining loyalty of customers
- Fast changing technology

Actually they all come together when describing the effect of the rise of the internet, in year 1994 internet was first used in a commercial way. Around 1996 internet as we know it was used by the majority of the mainstream customer.

Companies from all over the world are becoming direct competitors because internet makes it possible for customers to compare and buy products from all over the world. customers are more well informed and start to demand more. Companies are trying to keep up with trend by offering better or even totally new products, which puts pressure on companies to innovate in a quicker pace. When companies have difficulties in understanding the customer, being creative , taking risks and experimenting their profits will decline.

As the influence of the external environment is getting more forceful companies cannot leave the environmental factors out of the strategic innovation process. This is why SC and SR is not that popular anymore and is replaced by SI.

Important for the academic field

It is important for future research to make a distinction between the different pillars because they all ask for a different approach. Incremental strategic innovations need to be managed in a different way than disruptive innovation (Yu and Hang, 2010; Markides, 2010). In current strategic innovation literature innovation is not separated in incremental and disruptive. The same accounts for organizational level change and both organizational and environmental change. These factors are making it quite confusing for managers to understand the practical implementations. Future research should divide their focus on one of the pillars, instead of seeing them as a whole. Only then research can provide clear recommendations for managers, who in their turn can choose the pillar that fits their situation best.

The theoretical review does not give evidence that one will lead to another however, when adding an entrepreneurial mind-set (SE) to SC and SR a more risk taking culture will be developed, with more focus on experimenting and trying new things. When adding a more customer focussed view by using a business model or decomposing your strategy into different components, a more customer centric strategy is developed in SE and the change process will be more similar to BMI, VI and SI. By suggesting this figure we are not claiming that one leads to another by adding different mind-sets or tools but we are carefully suggesting that there is some kind of sequence between the different concepts.

When combining all this information a clear conclusion can be made that strategic renewal and strategic change should not be seen as *strategic* change concepts but as *normal* change concepts and not comparable with SI, VI and BMI. The same accounts for strategic entrepreneurship, this concepts lacks customer orientation which is seen as one of the most important characteristics of SI.
business innovation, value innovation and strategic innovation can be seen as one, and should be combined into one overall concept. Calling them al strategic innovation could be a logical next step. Strategic innovation is the most used, most cited and most popular term in the academic field.

5 Discussion and conclusion

In this chapter our most important findings are summarized, besides that this chapter will provide recommendations for further research and practical implementations. The outcomes could be useful for practitioners but practitioners should know that, as every systematic theoretical review, this review also has some limitations.

5.1 Key findings

In the review of Schlegelmilch et al. (2003) it is mentioned that strategic innovation is the most used term for applying innovation to corporate strategy. In this review we make a distinction between incremental and disruptive innovation because there is a difference in levels, goals and outcomes. Incremental innovation has its focus on a follower strategy, small innovations to keep track of the changes in the market and the demand of the customer. It is mostly about improvements in value and the market. Incremental innovation is often seen in a strategic change and strategic renewal process. SC and SR are mainly focused on organizational aspects.

Disruptive innovation is often seen in business model innovation, value innovation and strategic innovation processes. These concepts focus on gaining first mover advantages, creating new value and creating new markets by breaking the industry rules. VI, SI and BMI concepts focus on both organizational and environmental aspects.

Strategic entrepreneurship lies in between both pillars (figure 1), it does not belong to SR and SC because it aims at breaking the industry rules, trying to achieve disruptive innovation. But it is lacking customer orientation and therefore does not fit into the BMI, VI and SI pillar.

By combining main factors applicable to incremental or disruptive innovation the following table (table 7) arises.

Table 7: most important differences between incremental and disruptive strategic innovation

Incremental innovation	Disruptive innovation
Focusing on organizational factors	Combining focus environmental and organizational factors
Better serving existing buyers	Redefine buyer groups
Value improvements	Value creation
Market improvement	Market creation
Follower strategy	First mover strategy
Substantial knowledge in one given area	Breadth of knowledge across disciplines

When making a cross analysis between graph 1, table 6 and table 7 a clear conclusion can be made. Since the rise of the internet external environmental factors are getting more important. Without external focus strategic innovation cannot be achieved. This means that SR and SC processes are not capable of achieving strategic innovation (because of their mainly organizational focus, they are missing important drivers like risk taking, experimenting and customer orientation. SC and SC are outdated concepts and are replaced by SE, BMI, VI and SI.

Key findings for the academic field

One of the key findings in this theoretical review is that SE, BMI, SI and VI cannot be achieved by small incremental innovations, not saying that incremental innovation cannot achieve competitive advantage, over the long term it can. It can also be a part of the process, for example it can foster organizational learning which can contribute later in the process when trying to achieve strategic innovation. But strategic innovation itself can only occur when disrupting the status quo of the industry. Instead of calling all types of innovation applied to corporate strategy strategic innovation, a separation has to be made in the types of innovation to get a better understanding of how the change process works.

A possible consideration is to combine BMI, SI and VI to one overarching concept and use the term strategic innovation. In the academic world strategic innovation is most popular, most cited and most used. Besides that BMI and VI literature often refer to SI and compare the concepts with SI. By not including SR, SC and SE a statement is made that strategic innovation cannot be achieved without comprehensive customer orientation and disruptive/radical (strategic) innovation.

Critique on the consulted literature

A critique on the current literature about strategic innovation and the related concepts is the absence of the use of networks. Networks are seen in SE and in BMI literature, but seem less important /discussed in VI and SI. In a lot of strategic innovation success stories collaboration with external partners seems to be a critical factor.

Strategic innovation demands an outside-in perspective. Complementary network partners can add valuable assets and capabilities to the process, it supplements the internal resources.
A wide range of external perspectives should be integrated into the strategy-creating process, filling the critical knowledge gaps but also to challenge the assumptions about the industry and the future of the industry. A good network is by itself not enough, a company needs have the absorptive capacity to turn external information into valuable input for the company. The same accounts for co-evolution and co-development, SR and BMI are the only concepts who take that into account.

A lot of multinational are collaborating with new start-up companies, these start-ups have a more objective way of looking at the industry and the customers. They are not influenced by the traditional way of doing business and the history of the multinational.

Chapter 3 shows that authors use different definitions for the same concept, especially for BMI, SI, and VI, but at the end they have the same characteristics. It is difficult for academic authors to expand their research on this topic, if the basic definition is not clear. The drivers mentioned in table 6 can be used as input for the overarching definition.

Key findings for managers

Why should managers even bother to involve in strategic innovation? Strategic innovation is not easy to achieve and costs managers a lot of time and dedication. But more and more companies are experiencing highly volatile and uncertain markets, which causes a 'profit squeeze' caused by globalization forces, rapidly changing technology and product/service commoditization and of course increased competition. Making managers reevaluate their current way of doing business.

A few examples of industries and companies that have change dramatically by introducing strategic innovation are:

- Apple: Apple notices that customers do not always want to buy a whole cd. Sometimes they only like one or two songs. Instead of buying the whole cd, apple made it possible to buy a single song via online services (iTunes), for a decent price. By offering the possibility of buying a single song online instead of buying a whole cd in an actual store, they changed the rules of the whole industry. The traditional cd stores not only became the victim of Apple's smart move but also of the modernization, digitalization and the crisis.

- Tesla: The current society is asking for more and more green/sustainable/energy efficient techniques. Tesla chose to respond to this demand and decided to focus on 100% electrical cars. They decided not to include dealers and suppliers, but they offer the cars directly to the end customer. Which obviously saves a decent amount of money. Tesla also offers electricity to charge the car via a supercharger charging stations for free! Tesla changed the rules of the industry, making fossil fuel unnecessary, cutting out the dealers and suppliers which normally sell cars to the end customer and focusing on 100% emission free cars.

- Airline industry (Southwest airlines): Southwest airlines was (one of) the first airline that changed their traditional way of offering flights. They stopped looking at their competitors and started looking at alternative ways of transportation. They noticed that people sometimes prefer using the car at long distances because of the low cost. The goal of SWA was to offer "*the speed of a plane at the price of a car*", translated to a strategy their objective is to quickly reach the destination at the lowest price. They started to cut out all the 'frills' and chose secondary city-airports. Besides that they started to offer online ticketing and customer service. Now a days Ryanair, Transavia and Easy Jet are doing to same. Air France-KLM is still in financial problems, even after a few reorganizations. They chose to remain loyal the traditional strategy which sometimes can be successful because they focus on a different type of niche market (specific customer preferences) but they also notice that prices is an important aspect for customers. Air France-KLM fails to compete at price level with other operators and especially with low budget airlines operators.

It is important for managers to change their way of thinking, trying to change the traditional industry recipe. First mover advantage can be very valuable, but when a company is not the first mover it still needs to decide what the next step will be. In this report managers can find the main barriers and main drivers of strategic innovation. Even though a separation between the concepts is made in figure 1, most barriers and drivers are applicable to all concepts because they are mostly organizational factors instead of environmental, especially the barriers.

Managers should at least have the following drivers present in their process: organizational learning, dynamic capabilities, reshaping and redesigning, creativity, experimenting, risk taking, importance of employees, involvement of the whole value chain, co-development, customer orientation, TMT and CEO's.

Besides the drivers, the following barriers have to be kept in mind during the process: managers, the dominant logic, de difficulty of combining established daily routines with strategic innovation activities and the mindset and capabilities of employees.

As noticed in the literature review the newest articles (year 2015) of SC and SR are moving towards a more environmental level change instead of focusing mostly on organizational level change. Which implies that environmental factors are getting more and more important. This expansion of the concepts (SC and SR) this shift is stretching the strict difference between SC and SR in comparison with VI, BMI and SI.

So, when looking at strategic innovation it is better for managers to focus on both organizational and environmental factors. Environmental factors are becoming more important because of the rapid changing technology, customer preferences and of course globalization forces. Since the rise of the internet, access to information, services and products have been easier for the end customer. This makes them more informed, critical and demanding. Organizational factors need to be adapted to external forces. Which forces managers to rethink about their current strategy.

5.2 Limitations

Practitioners can make better choices if they know the limitations of a study. They can keep this in mind when applying or using the outcomes of the study. Some limitations might be important for the academic field, but could be less important for managers in practice.

The most important limitations of this study is that most journals reviewed for this paper are retrieved from only one database called 'webofknowledge.com'. Other articles used, like the articles written before 2000 were retrieved from the database of the journals itself. The same search criteria and filters were used on all concepts. Even though every step is carefully performed, as in most literature reviews the findings in this thesis are subject to the writer's own interpretations. Management reviews are often regarded as a process of exploration, discovery and development (Tranfield et al., 2003). The decisions are influenced by the authors.

Apart from that mostly relatively new articles were used in this review, as our timeframe was restricted we chose to start from 2000 onwards. Scanning and including all articles written would be too time consuming. Even though it is a limitation, most articles especially about SI, VI and BMI are written after 2000.

In this review well known related concepts of strategic innovation are included, even though we aimed that our the review is quite extensive it may be possible that not all related concept are reviewed.

The goal of this review was to write a systematical review because according to Tranfield et al. (2003) this produces a more reliable and more accurate review. Even though a systematical review seems more reliable it does not necessarily imply statistical significance of the outcomes (Slavin, 1986).

Further research should: include most cited articles before 2000, retrieve articles from different kind of databases, research more possible related concepts, and researchers could try to form a more comprehensive review panel to maximize reliability and accuracy.

5.3 Future research

In the last decade a lot of articles on applying strategic innovation and its related concept are published but current research is not yet complete and still rather widespread. It is clear that the literature about this subject is still growing.

Most articles focus on the research based view, which only focuses on the organizational aspect, while most disruptive innovation is achieved by combining both research based view and environmental strategies, matching internal systems and capabilities with outside opportunities. The reason why there is not much information available about the combination of both, might be the only resent popularity of the BMI, VI and SI concepts. Future research should consider the effect and possibilities of involving the external environment in the process. A starting point should be to combine BMI, Vi and SI concepts and use one overarching term. As said before we recommend strategic innovation because of its popularity.

Also a gap in strategic innovation literature is the existence of a guide about how organizations should engage themselves in the process of applying innovation in their strategy. Academics are writing about the positive influence of applying innovation, for example gaining competitive advantage and creating wealth. But these authors are not writing about ‘how’ companies can achieve this, which makes it difficult for organizations to engage themselves in these processes.

Besides that, during the review no article was found that provided empirical evidence of the positive influence of strategic innovation on the financial situation of the firm. In consequence it is difficult to claim that there is causality between strategic innovation and growing profits.

But the main recommendation for future research is that the research should focus on the separation of disruptive and incremental innovation when researching innovating corporate strategy. One isn’t necessarily better than the other, but sometimes one fits better to the company or industry than the other. That’s why research should focus on when which type of innovation is more applicable and how companies can achieve this. So when talking about strategic innovation focus on radical and disruptive innovation.

5.4 Practical implications

Chapter 4.1 and 4.2 give the most important insights for organizations. These chapters provide companies with important dimensions and barriers of strategic innovation. These chapters combined the output from the review given in chapter 3.

The whole strategic innovation process starts with the questioning of the existing definition of its business and questioning the existing mental model. Often because of the volatile business environment and external forces like globalisation, fast changing customer demands, fierce competition. According Schlegelmilch et al. (2003) and Markides (1997) companies should actually re-examine the way of doing business and evaluate changes every year.

The first thing organizations should do is to make sure that their internal organization is ready for the change. This does not only accounts for the managers but also for employees and the whole value chain. It is the job of the manager or CEO to involve employees in the progress. The announcement of strategic innovation might inject ambiguity into a before stable organization (Gioia and Chittipeddi, 1991). Managers should create a common understanding among employees about the goal and advantages strategic innovation. It is important to involve and motivate all employees and stakeholders during process. They can bring valuable input and different perspectives from throughout the whole company, it is important to make them a part of the change, this will create goodwill and lowers inertia and resistance.

When everything at organization level is organized, the organization can involve the external environment, it should focus on gaining external knowledge and information and involve external partners in their strategy process. Learning processes should be aimed at exploring, assimilating, transforming and exploiting external knowledge (Camison and Fores, 2010; Lichtenthaler, 2009). Well-developed dynamic capabilities, enables organizations to respond to changes in the environment.

When collecting (external-)information, the whole value chain should be involved, and all collected information should be available throughout the company (Schlegelmilch, 2003; Markides, 1997). So the company can collect different perspectives on the customer's needs for example. Customer orientation is one of the most important aspects when trying to disrupt the rules of the industry (Aiman-Smith et al., 2005). To evolve the total value chain, organizations should understand the whole value innovation at first.

Experimenting and reshaping are important aspects of strategic innovation (Matthyssens et al., 2006) Organization should not start with experimenting before they gained all the right information about for example their competitors, the industry, customers and suppliers.

A useful tool for collecting information and getting to know the whole value chain and decomposing the business model is the business model tool from Osterwalder (2004). Osterwalder's model has a pro-active attitude towards experimenting. It visualizes the processes underlying the business model, which makes the business model more concrete.

Besides that an organization should have entrepreneurial mind-set and culture these are necessary when trying to create disruptive innovation. Managers should cross traditional boundaries (Kim and

Mauborgne, 1997) by being creative and taking risks. Risk taking should be seen as an opportunity that potentially leads to higher profits (Matthyssens et al., 2006) instead of a burden.

Strategic innovation should be approached as a lifetime activity for an organization. In the end each new business model will be challenged, diluted, imitated and commoditized due to fierce competition (Kim and Mauborgne, 1997; Stabell and Fjeldstad, 1998). Managers should approach it as a continuous ongoing process.

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