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In 279 BC, the Greek general Pyrrhus of Epirus infamously defeated the Roman army at Asculum in a battle so destructive to his own side he feared it would cost him the war itself. More than 2,000 years later, the E.U. may have won a similar Pyrrhic victory. It offered the Greek government a stark choice: Adopt structural reforms and a strict austerity regime in exchange for a third bailout package or receive no additional financial aid (and effectively be forced out of the Eurozone altogether). Not surprisingly, the Greek government eventually opted to accept another bailout package over risking an unpredictable, and potentially calamitous, "Grexit.

Unfortunately, the bailout package and proposed structural reforms don't fully address the root cause of Greece's economic problems. Throughout the crisis, various camps have debated institutional and economic reforms — which are certainly an important part of any resolution. But there's been little discussion about the third discipline that should inform any sound recovery plan: strategic management to create competitive world-class firms.

The European political establishment has focused primarily on how to reduce Greek spending and improve economic efficiency through austerity, privatization, and other structural reforms. Although there can be no question that irresponsible borrowing was an important driver of the current economic crisis, the Greek government actually did repeatedly reduce spending and raise taxes during the last decade, when debt levels were still at high but acceptable levels — in fact, by enough to fully offset its pre-crisis debt entirely. Today's full-blown financial crisis isn't the result of Greece taking on yet more debt, but instead can be attributed to a massive contraction in economic output, which began five years ago. In other words, austerity has made Greece's debt problem worse, not better.

Then there is the argument for a focus on macroeconomic tools. Nobel laureate Paul Krugman, for one, has pointed out that the depth of the Greek crisis is the result not just of irresponsible borrowing (and lending!), but, more importantly, of the inability of the Greek government to use traditional macroeconomic policy tools under the E.U.'s monetary policy framework. If it had full control over its domestic monetary and fiscal policy, Greece could have administered a combination of monetary expansion, currency devaluation, and other policy measures to encourage private investment and stimulate much-needed exports, in addition to relying on more fiscal discipline. In other words, the current crisis is as much the result of inherent compromises within the European Monetary Union framework agreement as structural flaws in Greece's economy and political system.

Yet macroeconomic policies alone won't fix the

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problem, either. Countries such as Ireland, Portugal, and Spain have had to implement similar, very painful, austerity regimes, but their economies didn't suffer nearly as much and are recovering much faster. More importantly, Greek exports actually haven't increased much at all since the onset of the crisis and implementation of austerity measures, even though wages have come down significantly.

The reason, and ultimately the real cause of the current crisis, is that Greece simply doesn't have enough world-class capable companies. Such companies can offer competitive products and high-wage jobs, attract investment and innovation, stimulate exports, and, most importantly, support a healthy ecosystem of related and supporting industries — which in turn are needed to support the broader network of retailers, schools, daycare centers, and providers of other critical services.

Instead, the Greek economy consists almost entirely of the self-employed and very small businesses that are unable to compete against strong foreign competitors and incapable of supporting broader economic activity. Even Greece's leading industry, tourism, is dominated by small and midsized businesses.

The proposed structural reforms will do little to reverse Greece's downward spiral, stabilize its economy, recapitalize its banks, and, over time, make its firms more competitive. For example, raising taxes can be beneficial for economic development, but only if the proceeds are invested in infrastructure, innovation, and similar output-enhancing activities — and not being transferred abroad to repay creditors. Similarly, privatization can certainly unlock latent economic potential, if done right, but again, not when the vast majority of the proceeds are used to pay down debt instead of being reinvested in Greece itself.

To truly help Greece, investment and restructuring efforts should be directed toward creating an environment in which Greek firms are given the opportunity and breathing space to become more capable and competitive. For example, Greece possesses historical significance and geographic advantages, yet its tourism industry is far too fragmented. Its numerous small tourism firms are not only at a structural cost disadvantage due to their lack of scale, but they also find it difficult to offer all of the services and options their customers have come to expect — and certainly aren't ready to collaborate effectively to promote a specific destination. The industry needs a comprehensive upscaling and professionalization, including investment in infrastructure, digitization, training, marketing, and so on, perhaps focused on developing several distinct geographic clusters.

Unfortunately, doing so is a formidable and time-consuming undertaking. And there is no universal recipe; each country must try to leverage its own unique combination of initial factor endowments, institutions, domestic firm capabilities, and culture. Nevertheless, the process for developing such recommendations is clear, and useful guiding principles and best practices exist not only for national economies, such as Singapore and South Korea, but also, more importantly, for individual firms. Companies such as Embraer, Haier, and Samsung have become global leaders in highly competitive industries that were previously dominated by much better-resourced firms from developed countries.

Finally, even without a much-feared Grexit, the Greek crisis will have an important impact beyond its borders — E.U. leaders will ultimately need to confront rising Euroskepticism with an honest assessment of how much political and economic integration will be required to avoid even worse crises in the future. But the first step is to recognize what's missing from today's debate: Without strategic management, Greece's current struggle may be far more costly, and have far greater repercussions to the rest of the world, than that original battle 2,000 years ago. +

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