

The Dominant Logic Framework

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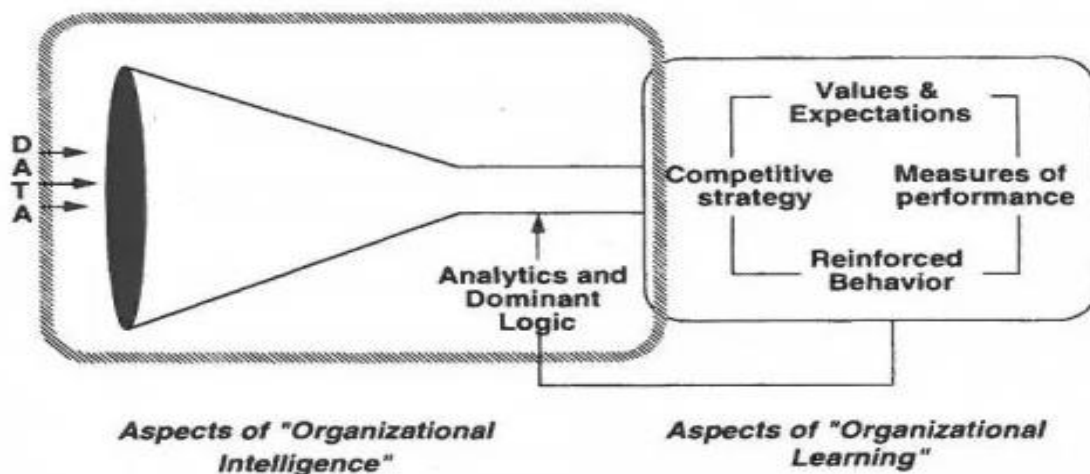
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Article History	Abstract
Original Research Article	<p><i>“More than three decades ago, Prahalad and Bettis (1986, p. 491) introduced the concept of Dominant Logic, which they defined as ‘a mindset or a worldview or conceptualization of the business and the administrative tools to accomplish goals and make decisions in that business. Their aim was to complement the extant economic perspectives on the relationship between diversification and firm performance by adding a cognitive explanation. Since then, the concept has been further refined (e.g. Prahalad and Bettis 1995; Bettis et al. 2011; Côté et al. 1999; von Krogh and Roos 1996) and associated with a diverse set of variables, such as technological change (Zyglidopoulos 1999), entrepreneurial identity construction (Downing 2005), joint venture success (Guidice and Mero 2007) and dynamic managerial capabilities (Kor and Mesko 2013). Since its introduction, Prahalad and Bettis’s concept of Dominant Logic has informed a variety of scholarly conversations in management and strategy research. However, scholars have interpreted Dominant Logic in different ways, emphasizing different aspects, such as managerial mindsets, administrative tools and management functions, as defining elements. Similarly, empirical studies have captured various aspects, such as meanings of entrepreneurs, observable strategic decisions and business model similarity, as indicators of Dominant Logic. Consequently, the concept lacks analytical clarity, and it is difficult to compare, generalize [or apply] findings from this diverse set of studies.”¹</i></p> <p>Keywords: Dominant Logic, Dominant Logic Framework, Prahalad, Bettis.</p>
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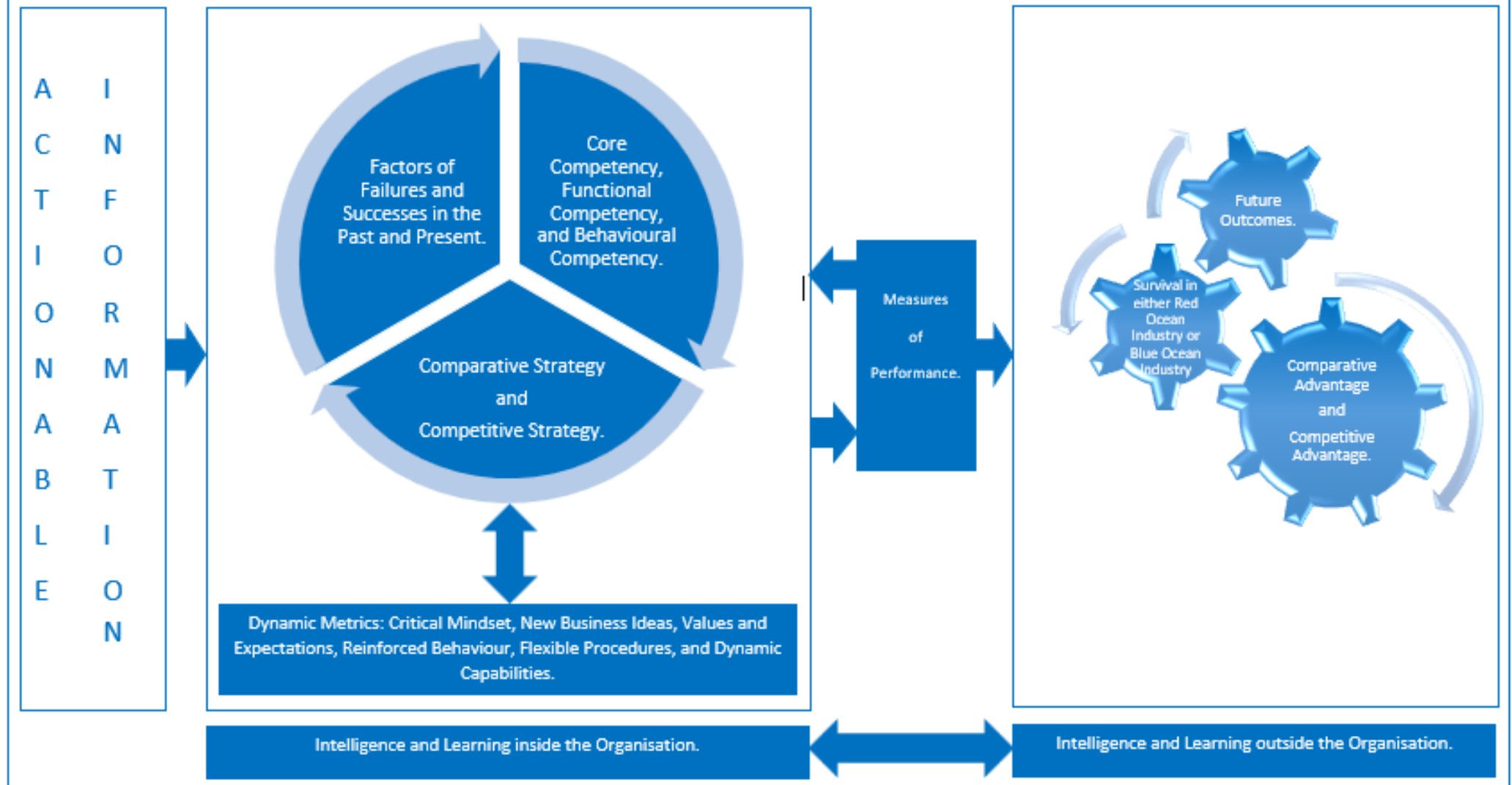
Schematic Representation of the Dominant Logic by Prahalad and Bettis²:



¹ ‘Clarifying the Dominant Logic Construct by Disentangling and Reassembling its Dimensions’ by Alexander Engelmann, Barbara Kump and Christina Schweiger - International Journal of Management Reviews, Vol. 22, 323–355 (2020)

² Prahalad and Bettis

Figure A: Dominant Logic Framework (DLF)



Introduction

“Dominant Logic is the prevailing set of beliefs, mental models, and assumptions held by a group of [CEOs, COOs, Directors, and Managers] that shape their understanding of the business and their critical decision-making processes. It helps an Organisation stay on a consistent path by providing a common way to interpret the world and make decisions.”³

“Some organisations disappear through mergers and acquisitions but a major reason for the disappearance of firms is that they fail to adapt to a changing environment. Often, the environmental threat seems to be obvious to everyone except those inside the business. The strange rationalization of old business practices seems to defy rational explanation. Tim has previously used the example of a media company trying to work out how the internet can augment the newspaper offering. To the rest of us, the newspaper is a burning platform and the question of ‘how do we use the new technology to support the core business’ is simply the wrong question.

There are many other examples of these situations where organisations get stuck in the old business. A colleague who was a Monsanto executive tells me that Monsanto went into genetically-modified crops as a way of supporting the core business of herbicide manufacturing. Under patent, Roundup (glyphosate) was a license to print money. After it went off patent, Monsanto looked for a way to make it profitable again by making Roundup resistant crops and thus began their fateful GMO journey.

In fact, this situation is so common that business academics such as Prahalad and Bettis have developed the idea of ‘Dominant Logic’.

It’s a simple model that shows how organisations learn to become very good at a particular business. For example, Monsanto and herbicides, newspapers or [Nokia and mobile phone products](#). To become leaders in the industry, firms need to have an intersection of culture, performance measurement, and strategy. The trouble is that this focuses managerial attention on the information that fits with the business. The creation of a Dominant Logic might help with maximising short-term returns, but it also makes the company highly vulnerable to disruptive innovation.”⁴

Pitfalls of Dominant Logic of Prahalad and Bettis

Just as a physical blinder restricts what we can see, a

company's Dominant Logic can narrow managers' awareness of opportunities and shifts in the marketplace that fall outside their existing framework. Deeply embedded Dominant Logic can lead managers to cling to traditional assumptions about value creation, even when external conditions change, leading to a resistance to new ideas. This resistance can stifle innovation and prevent organisations from venturing into new areas or fundamentally rethinking their core business.

Remedial Measures

Managers need to look beyond their specific industry and geographic limitations to discover new opportunities and perspectives. Challenge and re-examine the underlying logic of the business to identify outdated assumptions about how value is created and exchanged.

Revamping the Dominant Logic of Prahalad and Bettis

This model of 1986 has become obsolete nowadays due to the following reasons and it has to be revamped via the Dominant Logic Framework (DLF)⁵ as shown in Figure A [original schematic diagram]:

1. **Treatment of Data:** Data refers to raw facts and figures. It is meaningless. It has to be processed via the Business Analytics Framework which consists of Data Analytics to produce information after data is processed and Information Analytics to produce actionable information after information is contextualized and interpreted.⁶ However, it mentions Analytics but there is no in-depth explanation of what is going on with the data. Back in 1986, there was no development in Business Analytics, Data Analytics, Information Analytics, and AI Analytics. So, this concept is obsolete today. In the proposed framework, actionable information is being used in the new Dominant Logic.
2. **Decision-making:** The potential to stifle innovation, limit adaptability, and create an overly rigid or self-referential approach to decision making is highly problematic. This happens because the Dominant Logic, representing the prevailing mindset of managers and stakeholders, can become so ingrained that it obscures alternative perspectives and prevents the organisation from recognizing and responding to new market opportunities or customer needs, eventually leading to decline.

³ AI Overview

⁴ Use Innovation to Disrupt Dominant Logic: [Use Innovation to Disrupt Dominant Logic | Tim Kastelle](#)

⁵ AI Overview

⁶ Guru Dev Teeluckdharry (2025), ‘THE DESIGN AND IMPLEMENTATION OF THE BUSINESS ANALYTICS FRAMEWORK’ - [INTERNATIONAL JOURNAL OF BUSINESS AND DATA ANALYTICS \(IJBDA\), Volume 2, Issue 2, July-December 2025](#)

3. **Dynamic Metrics:** In the proposed framework, Critical Mindset, New Business Ideas, Values and Expectations, Reinforced Behaviour, Flexible Procedures, and Dynamic Capabilities are embedded in the core constitution of the organisation so that and such that it runs smoothly. And CEOs, COOs, Directors, and Managers, should review these metrics regularly so that the organisation becomes dynamic rather than static.
4. **Factors of failures and successes in the past and present:** Taking decisions on the basis of failures and successes in the past and present should be carried out meticulously and after empirical research has been conducted. The factors are important. However, they should be used just as a hint only to uncover patterns and trends of the markets that the organisation is evolving in. Treating them as definite and ultimate factors may lead to failure rather than success if the decision of the organisation is repeated rather than reformulated. But, these factors in themselves may reveal certain aspects of the organisation that could be helpful. The old Dominant Logic does not mention these factors at all and this could indeed be regarded as a drawback.
5. **Core Competency:** It is a unique capability, skill, or resource that the organisation excels at and that gives it a sustainable comparative advantage and competitive advantage in the market by providing exceptional value to customers.
6. **Functional Competency:** It is a specific skill, knowledge, or behavior needed to successfully perform tasks and responsibilities within a particular job or functional area of an organisation. These competencies are often technical or operational, such as database management, market analysis, or programming, and are distinct from behavioral or core competencies, which are more general and apply across various roles.
7. **Behavioural Competency:** It is an observable skill, behavior, attitude, or personality trait that indicates a person's ability to perform successfully in a job. These "soft skills" include qualities like communication, teamwork, leadership, and problem-solving. Organisations use behavioral competencies to predict candidate success, assess cultural fit, and guide employee development by defining expected behaviours for specific roles and the overall company.
8. **Comparative Strategy:** It refers to the analysis of strategies from different entities (such as countries, firms, or policies) by comparing them to identify similarities, differences, and broader trends. This approach helps in creating frameworks for strategic planning and revitalizes thinking about foreign and defense policies by examining strategic interactions and providing benchmarks for performance in diverse contexts. It is also the name of a prominent academic journal that publishes research on critical security issues
9. **Competitive Strategy:** is a long-term plan for a company to gain a sustainable advantage over rivals by differentiating its products or services, focusing on lower costs, or targeting a niche market. To develop one, businesses analyze their strengths and weaknesses, understand market dynamics, and evaluate competitors to create a unique market position that leads to superior customer value and profitability.
10. **Measures of Performance:** They are quantifiable indicators used to assess how effectively and efficiently an individual, team, or organisation is achieving its goals and objectives. They provide a way to track progress, ensure accountability, identify areas for improvement, and make data-driven decisions. They can be financial, operational, or qualitative, providing insights into aspects like speed, cost, quality, and customer satisfaction. In the Dominant Logic Framework, they act as to and fro between components inside the organisation and outside the organisation.
11. **Comparative Advantage:** It is the economic principle that, to gain the most, two organisations should specialize in producing goods or services for which they have a lower opportunity cost and then trade with each other. This allows them to consume beyond their individual production capabilities, even if one party is more efficient at producing all goods.
12. **Competitive Advantage:** It is an organisation's capacity to outperform its competitors by creating greater value for customers or operating more efficiently, leading to higher sales and profit margins. It is a strategic attribute that can stem from superior product quality, cost leadership, strong brand reputation, unique technology, or exceptional customer service. Achieving a sustainable competitive advantage helps a business secure a long-term foothold in the market and achieve its vision.
13. **Survival in Red Ocean:** It is a market with existing, defined industries where organisations compete intensely for market share. In these "bloody" red oceans, competition is fierce, demand is limited, and companies focus on outperforming rivals through price cuts or incremental

improvements. Organisations tend to focus on either low-cost leadership or differentiation through minor improvements.

14. **Survival in Blue Ocean⁷:** Strategists recognize that market boundaries exist only in managers' minds, and they do not let existing market structures limit their thinking. To them, extra demand is out there, largely untapped. The crux of the problem is how to create it. This, in turn, requires a shift of attention from supply to demand, from a focus on competing to a focus on creating innovative value to unlock new demand. This is achieved via the simultaneous pursuit of differentiation and low cost. Under blue ocean strategy, there is scarcely an attractive or unattractive industry per se because the level of industry attractiveness can be altered through companies' conscientious efforts. As market structure is changed by breaking the value-cost trade-off, so are the rules of the game. Competition in the old game is therefore rendered irrelevant. By expanding the demand side of the economy new wealth is created. Such a strategy, therefore, allows firms to largely play a non-zero-sum game, with high pay-off possibilities.
15. **Future Outcomes:** For organisations, they will likely center on greater [agility](#) and [adaptability](#), driven by an increased focus on [purpose-driven culture](#), [decentralized structures](#), and robust [talent development](#). Organisations that prioritize [employee well-being](#), foster innovation, leverage technology, and build strong ecosystems of collaborators will be better positioned to navigate the evolving business landscape and achieve sustainable, resilient growth.
16. **Intelligence and Learning inside the organisation:** They are interconnected processes where intelligence is the ability to acquire and interpret information to

make sound decisions, while learning is the dynamic process of creating, retaining, and transferring knowledge to improve overall capability and competitiveness. Organisations foster intelligence and learning by cultivating a culture of continuous learning, promoting systems thinking, encouraging knowledge sharing and collaboration, and developing a shared vision for the future.

17. **Intelligence and Learning outside the organisation:** They refer to how businesses acquire and utilize knowledge from external sources to improve their products, services, and operations, fostering continuous improvement and a competitive advantage through a deep understanding of external communities and patterns. This process is essential for [learning organisations](#), which prioritize adaptability and innovation by encouraging employees to seek new skills and knowledge, ultimately enhancing their capabilities and market position.
18. **To and fro process:** Intelligence and Learning inside and outside the organisation is a to and fro process which drives the Dominant Logic and make it dynamic rather than static. As such, there is no need to challenge or change the Dominant Logic completely. Adjustments are just made to keep it up to date unlike that of the Dominant Logic of Prahalad and Bettis.

Conclusion

Dominant Logic serves as a cognitive map enabling CEOs, COOs, Directors, and Managers to make rapid and effective decisions. It develops over time through learned behaviours, paradigms, and cognitive processes. While useful, it can become obsolete and stifle creativity, hindering an organisation's ability to adapt to change or diversify its operations. The proposed framework is an attempt to address and solve that problem.

⁷ Red Ocean Strategy vs Blue Ocean Strategy | Learn the Difference: www.blueoceanstrategy.com