



SMP 16
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Developing a Strategic Mindset

PROF. ANIRVAN PANT

*Why should
strategy matter?*

....because Competition exists

....because Coordination matters

The Zone of Strategic Decisions

Ability to Shape Outcomes [‘Coordination’]	
Low High	
Relative Nature of Performance [‘Competition’] Absolute	<i>Game Theory</i>
	<i>Strategic Management</i>
	<i>Cognitive Psychology & Behavioral Economics</i>
	<i>Motivational Research & Positive Thinking</i>

How Should We Think About Strategy? The Process

Identify the Problem(s)

Identify the Choices

Identify the Trade-Offs

Analyze Trade-Offs

Exercise Judgment.

STRATEGIC MINDSET & ANALOGICAL REASONING

Information Rich
Settings

Deduction

Analogical Reasoning

Trial & Error

Partially Novel
Settings Resembling
Earlier Settings

Highly Ambiguous
& Complex Settings

The Ingredients of Strategic Thinking

- ☐ Relative Performance
- ☐ Problem-framing vs Problem-solving
- ☐ Premise vs Hypothesis
- ☐ Strategic Choices & Trade-offs
- ☐ Commitment vs Flexibility
- ☐ Analysis & Judgment
- ☐ Analogical Reasoning

THE THREE FUNDAMENTAL QUESTIONS FOR THE STRATEGIST

How Do We Compete?

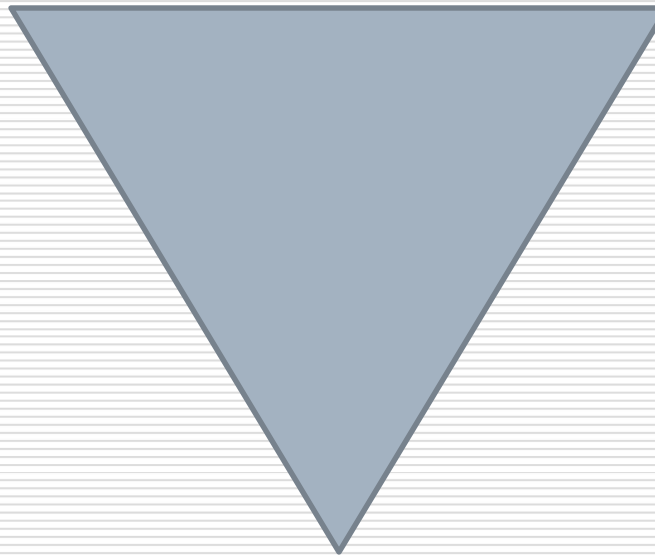
- ✓ Business Model
- ✓ Competitive Positioning
- ✓ Resource Configuration

BUSINESS STRATEGY

Where Do We Compete?

- ✓ Product Scope
- ✓ Value Chain Activities
- ✓ Geographic Markets

CORPORATE STRATEGY

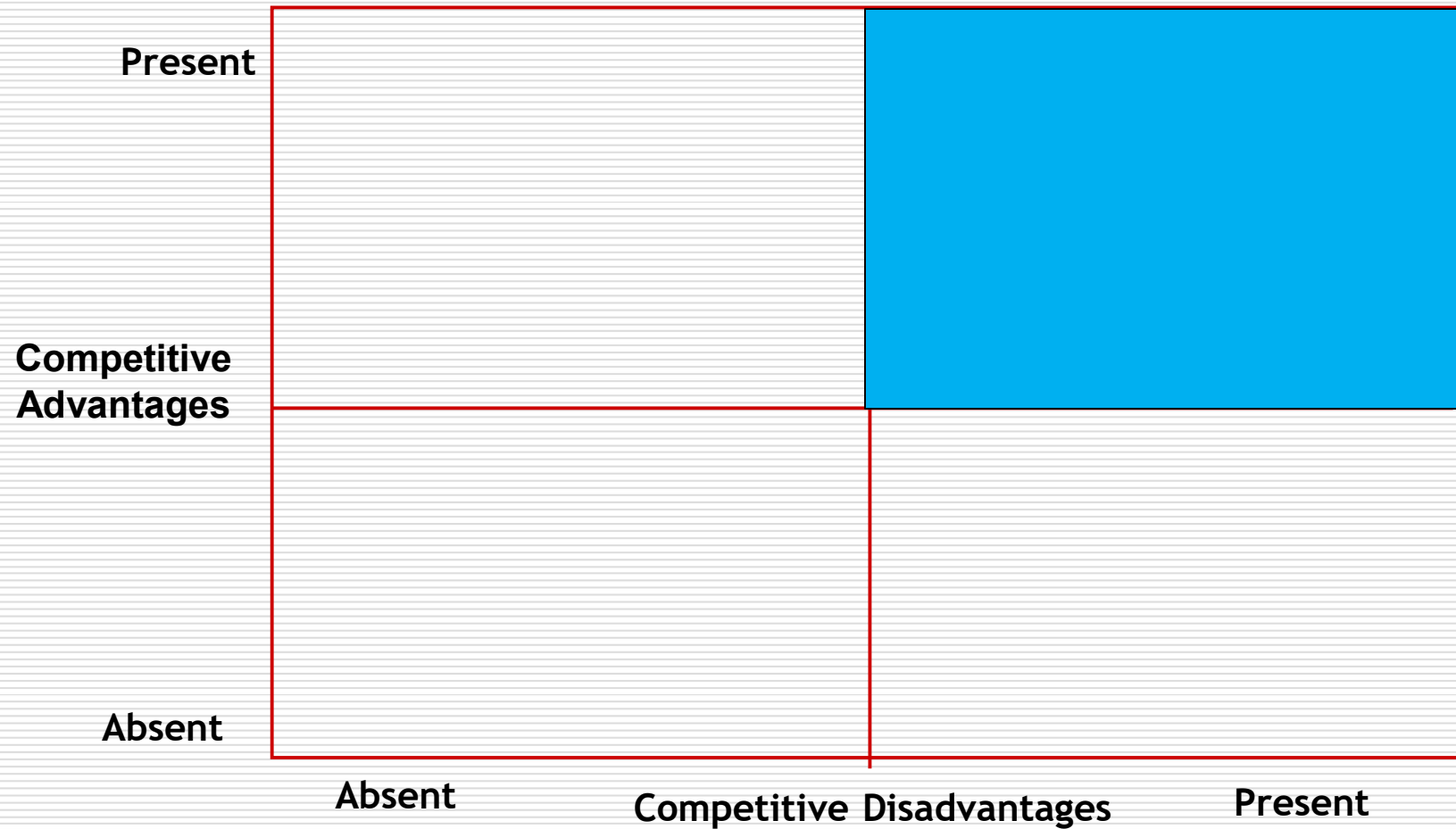


Who Are We?

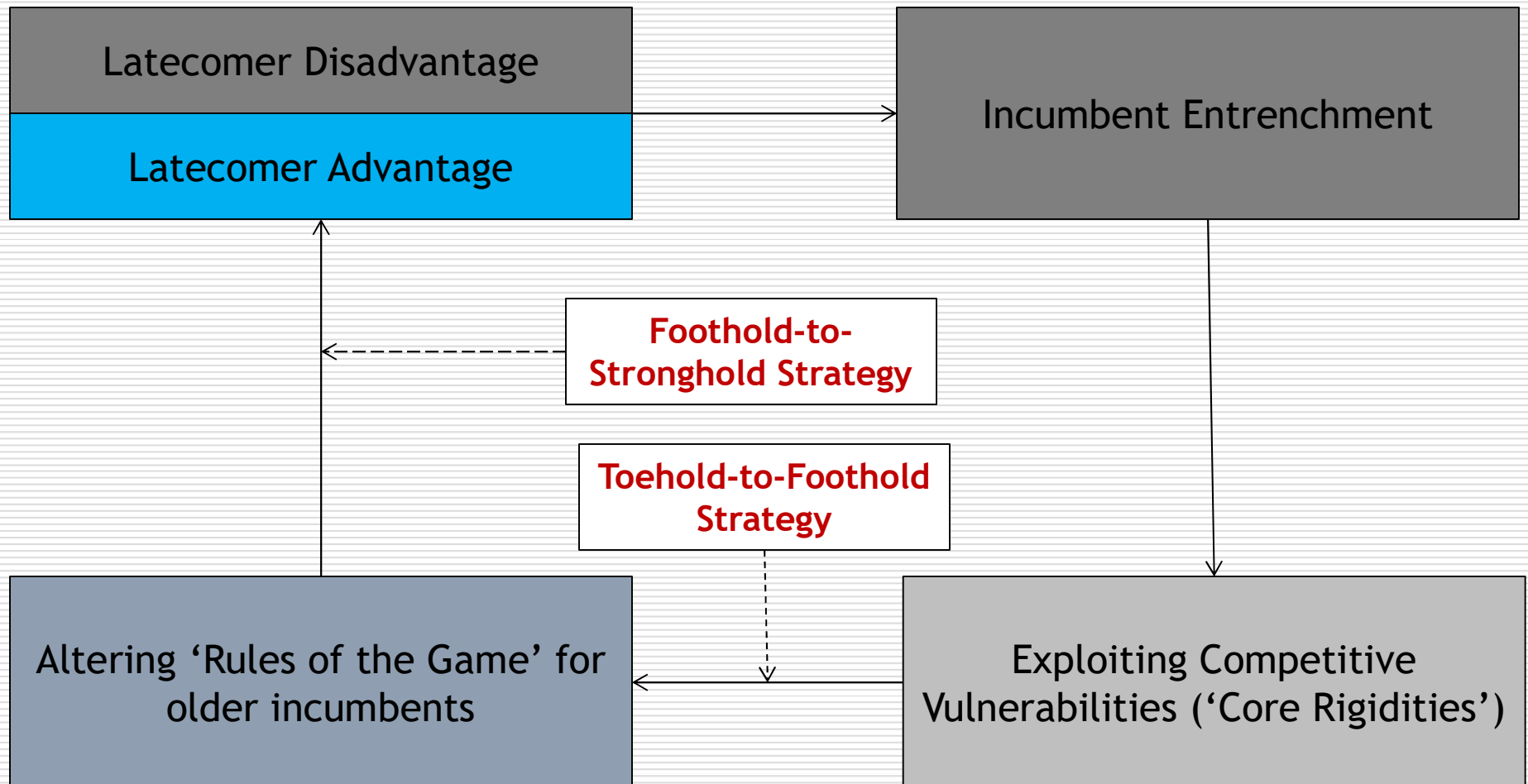
- ✓ Corporate Purpose
- ✓ Image & Reputation
- ✓ Guiding Principles

ORGANIZATIONAL IDENTITY

Disadvantage can co-exist with Advantage



Overcoming Latecomer Disadvantage



Why Do Firms Fail to Acknowledge the Transient Nature of Advantage?

- ☐ **The First Mover Trap**
- ☐ **The Superiority Trap**
- ☐ **The Quality Trap**
- ☐ **The Hostage Resources Trap**
- ☐ **The White Space Trap**
- ☐ **The Empire Building Trap**
- ☐ **The Sporadic Innovation Trap**