

Dr. C K Prahalad's contribution to Academics –
A Selective review of his scholarly work

Presented by

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Abstract:

Coimbatore Krishnarao Prahalad, better known as C K PRAHALAD was a man with great vision. He was a remarkable teacher, researcher, entrepreneur, and a management guru. He saw the future and introduced various theories that made people believe that the world can be made a better place. His work contributed in the upliftment of the poor, helped various businesses and also showed the world the real key to success. His trajectories and theories have made a great difference to India and other developing countries worldwide. As a tough leader he propagated many concepts like strategic intent, co-creation rather than competition and bottom of pyramid which have benefitted the companies and society. The paper reviews the scholarly work contributed by Dr. C K Prahalad.

Key Words: Strategy, Core Competency, Bottom of Pyramid, co-creation, competition

THE BEGINNING TO HIS CONTRIBUTION (1975)

C.K Prahalad wrote a doctoral thesis on multinational management at Harvard Business School.

DOMINANT LOGIC (1986)

The Dominant Logic paper was written jointly by Bettis and Prahalad in 1986. The reasons for the inconsistency in the results of the diversification by firms were examined by them. The concept of 'Dominant Logic' was introduced by Bettis and Prahalad to determine the success of diversification by firms. The success of diversification is, however, difficult to measure. Dominant Logic is the thinking of the management limited to a common strategy for different businesses or a mind set. It refers to a scheme or schema of mental maps which have to be developed considering experience in the past, which would form a base with which manager's look at diversification into new businesses. Diversification by firms would be successful if the management is prepared to adjust its dominant logic consciously according to the needs of the new business which would help the management know the actual needs of the customers and the degree of competition in the market, without any biasness. The management might also be resistant towards any alteration in the dominant logic. The degree of resistance depends on the willingness of the management to adapt and learn. The concept of "strategic variety" of different businesses of firms (i.e. the business model) was introduced by the authors. The success of diversifications, to a great extent, depends on the ability of the firm to be able to alter and manage this variety for different businesses at the same time.

STRATEGIC INTENT (1989)

In their article 'Strategic Intent' (1989), Gary Hamel and C.K. Prahalad explained that a Strategic Intent is nothing but a dream or an aim that motivates and provides energy to the organization towards success its future. It is not as narrow as a specific goal nor is it as broad as the purpose of an organization; it is a position in which an organization views itself at a point in the future. A 'Stretch' in the resources of the organization would be required in order to achieve that aim.

Strategic intent comprises of three attributes i.e. Sense of Direction, Sense of Discovery and Sense of Destiny. **Sense of Direction** means the position (in the market and within its competitors) in which an organization desires to be in the future. This would give an organization a direction or a path. **Sense of Discovery** is an assurance given to the employees of an organization to explore new markets and territory. **Sense of Destiny** implies an emotional factor in the strategic intent i.e. the aim of the organization should make the employees feel that they are working towards achieving something momentous.

THE END OF CORPORATE IMPERIALISM (1998)

In this article C.K Prahalad mentions that most of the multinational companies will have to compete with each other in the markets of the developing countries such as India, China, and Brazil etc. As the MNC's mainly desire for new market share, it becomes essential for them to penetrate into these markets as they have a soaring growth rate. The article talk about the imperialist mindset of the MNC's in the 80's, who exploded onto the rising markets with their old products thinking that they would be able to acquire some profits out of these sunset technologies.

The MNC's understand the opportunities prevailing in the emerging markets however; with the change in time it is imperative that they look deeper through these markets and not just its cultural sensitivity. The MNC's will need to generate new ideas and they will have to adopt new ways of thinking. Reconstruction of their present business elements and a firm commitment towards a new desirable segment would help them achieve greater heights.

The article incorporates the imperial mind-set concept and states that the MNC's victories in the developing markets will end corporate imperialism. C.K Prahalad believes there are five basic questions that MNC's must answer to compete in these emerging markets:

1. Who is the emerging middle-class market in these countries, and what kind of business model will effectively serve their needs?
2. What are the key characteristics of the distribution networks in these markets, and how are the networks evolving?

3. What type of local and global leadership is required to foster business opportunities?
4. Should the MNC adopt a consistent strategy for all its business units within one country?
5. Will local partners accelerate the multinational's ability to learn about the market?¹

These five questions are elaborated in different ways throughout the article.

THE CORE COMPETENCE OF THE CORPORATION (1990)

This paper had undoubtedly proved to be of C.K Prahalad's (and Gary Hamel's) contribution to management. Although, this theory caused rational upheavals in management practices, today it is practiced by various businesses.

In this paper C.K Prahalad explains the concept of core competencies by referring to the diversified giant NEC that competed in ostensibly divergent businesses. By using its core competencies, NEC was able to successfully achieve what most of the companies try to accomplish: discovering new markets, exploiting blooming ones, satisfying customers with products they has never thought of – but needed.

C.K Prahalad believed that while developing a strategy companies should concentrate on their core competencies and they should keep improving and building on them. Also, these competencies should be the most important factors to be considered for the planning and implementation of the strategy. Each company can have one or more core competencies but the competency that creates a distinction between the company and its competitors is considered to be as the ideal core competency. The core competency should be such that the competitors find it difficult to adapt to and compete against thus creating an individual identity for the company. For example – Apple's core competencies could include their Operating System, Smoothest Touch Screen, Light-weight products & Thickness but their ideal core competency would be the thickness of their products as none of its competitors has been able to match its products.

THE FUTURE OF COMPETITION (2004)

This book is about co-creation, a concept created by the authors of the book Mr. C.K Prahalad and Mr. Ramaswamy. This book was published in 2004; however the concept of co-creation was introduced four year earlier in their Harvard Business Review article 'Co-opting customer competence'

People have mixed thoughts about co-creation. Few believe that it is just a catchphrase to enhance the experience of the customers. On the other has some people say it is concerned with involving customers. However the authors mention that the main idea behind this is choice. They believe that consumers with the help of a variety of experiences hunt for freedom of choice to interact with the firm. The authors say the it is the customers that will be able to characterize the

¹ <http://mybusinessmusings.com/?p=137>

choices in a way that will replicate their view of value and hence, these choices should be customer-not supplier-led. When a customer's experience is co-created with the other customers, this will assure that whatever the customers desire to get they will get exactly that and will eventually be loyal to the firm.

Hence we can say that the fundamental word would be 'choice' and the main result would be fulfilling customers' needs and want and not just focusing on customer experiences. This can lead to an unexpected win-win situation. For instance, many firms have transferred their work onto the customers like, removing money yourself out of the ATM, filling the credit card details yourself and so on. This creates a relationship gap between the customers and suppliers but the customers prefer it this way as it gives them freedom, saves time, flexibility and most importantly choice.

CO-CREATION

Co-Creation was another huge contribution made by C.K.Prahalad, developed together with the help and support of Venkat Ramaswamy. They suggested that the customers should be involved in every step of the value chain of the products offered by a company i.e. design, functionality, services etc. This, according to them, would offer a new customer experience in addition to the obvious customer satisfaction, as the customers would be able to get exactly what they desire. The company should also be willing to let the customers be absolutely involved and access information along with a high degree of transparency. With the immense advancement of technology, customers would be able to get the products that they feel would be preminent. This concept was labeled "N=1" by Venkat and Prahalad, as each customer would get tailor-made products. Similarly, resources utilized by a company are global, thus, they called that "R=G". Keeping these concepts and the modern technology in consideration, they believed that different demands of different customers could be satisfied. The additional advantage to a company would be that much of the work of the company would be done by the customer which in turn saves a lot of money for the company.

Example: There would be no need to take a feedback or survey about the demands of the customers (which is a fairly expensive affair) or about the products as they can be tested and problems rectified by the customers themselves.

BOTTOM OF THE PYRAMID (2005)

In his much successful book – The Fortune at the Bottom of the Pyramid – C.K. Prahalad believed that traditional methods such as higher sales and lower margin could be used by a company but there were other methods of exploring the Bottom of the Pyramid (BoP) markets as well. He emphasized on the notion of exploring the BoP market profitably by working backwards from what the consumers are willing to shell out for the product and then work on the costs by keeping that amount in consideration.

Example: The Aakash tablet (UbiSlate 7+) is the world's cheapest tablet made for the BoP market. It is priced at just 35\$ for students and 60\$ to the general public.

According to C.K. Prahalad, a company that is keen to explore the BoP market would be successful only if it is willing to mould its business model by adapting to the change of exploring such a segment or sometimes, by changing their business model completely.

The BoP outlook of C.K.Prahalad faced some critics:

Professor Karnani – Prahalad’s colleague from Michigan – believed that by providing an option to the poor to buy items that are not essentials (powder, fairness creams, etc) may be a factor that may cause the poor to reduce their usage of essentials. Prahalad responded by saying that the poor should have the power to decide whether to be dirty or neat. He also emphasized on the fact that the poor are paying much more than what they can afford on products and services such as water because they are distributed the same way to the BoP and the urban markets. By using the idea of Prahalad along with innovation, the cost to the poor for essentials can be, ultimately, reduced and their purchasing power increased.

THE NEW AGE OF INNOVATION: Driving Co-created Value through Global Networks (2008)

In ‘The New Age of Innovation’, C.K Prahalad and M.S Krishnan have written about their central thesis which mentions that there are new administrative demands that necessitate innovative sources of value creation. They also state that these demands have shaped an environment where organizations will have to provide each of their customers with customized products to satisfy them. This can be done by building strong and new relations with different suppliers.

The book mentions that new sources are emerging and the authors have suggested internal capacity by arranging resources in real time by concentrating on standard, transparent, and flexible business processes. The book has mentioned the concept of co-creation which is explained in detail in this paper.

Towards the end of the book, the authors have described how the new strategies can be implemented. They also highlight the importance of a social architecture with resilient connections among managers and the technical architecture. They also mention that it is imperative for organizations to employ people with innovative skills from all over the world and take advantage of globalization to its fullest.

Award-Winning Papers

Strategic Management Journal Best Paper

The dominant logic: A new linkage between diversity and performance. (1986). Strategic Management Journal, 7, 485-502.

Harvard Business Review McKinsey Prize

The end of corporate imperialism. (2003). Harvard Business Review, 81, 109-118 (with K. Lieberthal).

Strategic intent. (1989). Harvard Business Review, 67, 63-76, (with G. Hamel).

The core competence of corporation. (1990). Harvard Business Review, 68, 79-92 (with G. Hamel).

Sloan Management Review: Sloan-PWC

Best Award for Best Paper

The new frontier of experience innovation. (2003). MIT Sloan Management Review, 44, 12-18 (with V. Ramaswamy).

Research and Technology Management:

Maurice Holland Award for the Best Paper The role of core competencies in the corporation. (1993). Research Technology Management , 36, 40-47.

“Strategy is about stretching limited resources to fit ambitious aspirations”²

– C. K. Prahalad

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