To assess and put in perspective the late C K Prahalad’s contributions to strategic management is not easy. So vast was his canvas that it would be difficult to even rank his contributions in some order of importance. He coined many terms that have become common parlance, and in some cases popularized the use of terms that might have existed in some corner of the academic world, but that were taken out, dusted and refurbished: “strategic intent,” “loose bricks,” “next practices,” “co-creation,” and of course, the two phrases for which most of the practitioners would remember him: “core competence” and “bottom of the pyramid.” Each of the ideas were not just developed and put in a journal; each was developed to a point at which it became a concept that could be put to practical use. That was how he was such a towering presence as much in the world of practitioners as in the world of academicians: he would be the centre of attention as much in a conference of Chief Executives as in an Annual Meeting of the Academy of Management, giving a keynote address. And in every meeting, he had something new to say.

CKP: Early Work

C K Prahalad (or CKP as he was affectionately known among his admirers) did his early work in International Business (IB). In his article (jointly authored with Gary Hamel, who was his doctoral student at Michigan and with whom he developed a life long partnership) “Do You Really Have a Global Strategy?” (Hamel and Prahalad, 1985), Hamel and CKP drew attention to the distinction between competing globally, doing business globally and being a global company. In this paper, his originality was evident: While, earlier, International Business literature focused on one business at a time, following the business strategy models of the Industrial Organization (I-O) school and the work of Michael Porter and his colleagues, Hamel and Prahalad pointed out how global firms not only derived advantage through global operations for particular products or groups of products, but competed across products and businesses, and across geographical areas, as for example, cross-subsidizing products or markets. Thus a French tyre manufacture could enter the US market but the US incumbent may not necessarily stop at defending its market share in the US; it could retaliate by entering the tyre markets of Europe, hitherto a stronghold of the French manufacturer. The responses, moves, and counter moves in the two cases are very different. Also, firms may compete in one way in the function of manufacture, in another way in the function of distribution, and in a third way in marketing.
and advertising. Thus international competition needs to take into account these multiple dimensions, and having a global strategy would imply a holistic understanding of these dynamics.

In many ways, CKP’s work ran in parallel with another duo that made an indelible mark: Chris Bartlett and Sumantra Ghoshal. The idea of integration – responsiveness (IR) framework of Bartlett and Ghoshal took IB theory forward in a big jump, in gaining an understanding of how to resolve the conflicting needs of integrating operations across countries and gaining consistency on the one hand and the need for differentiating across different countries, on the other. CKP’s ideas of viewing multiple businesses and geographical regions concurrently were more complex to grasp, but provided a complementary perspective to those of Bartlett and Ghoshal. Sadly, to my knowledge, these two Indian giants – CKP and Ghoshal – never worked together.

Dominant Logic

The paper by Bettis and Prahalad (1986) took a line which, in a manner of speaking, stands apart from his other work. They examined the reasons for inconsistency in the results of diversifications by firms. Earlier researchers had seen diversification in terms of relatedness of technology and/or markets. Bettis and Prahalad introduced their notion of “dominant logic” as an explanatory variable for determining the success of diversification. This was another concept that appealed intuitively but was difficult to measure. It referred to a schema of mental maps developed through past experience, and this formed the lens through which managers looked at new businesses. It drew heavily from concepts in psychology such as operant conditioning, pattern recognition processes by the human brain, and cognitive biases, and from an earlier paper by himself along with Bettis and Hall (1978). The dominant logic constraints the thinking of management, and the success of diversification would depend upon the willingness of management to revise their dominant logic consciously to what is needed for the new business. They introduced the notion of “strategic variety” of the business portfolios of firms, this being roughly the business model or the key success factor in a business. The firm should have the ability to manage this variety.

This came at a time when managers were perplexed as to whether diversification indeed led to a performance improvement or not. Indeed, markets were even giving a thumbs down to diversification by marking down the stock prices of a firm after it announced a diversification decision, the so-called diversification discount. Yet many firms were doing well even after quoted unrelated diversification, while firms encountered serious problems even with related diversification. Ghoshal also had pointed out the role of the capability of management in managing their diversification, in their study of Indian and other companies (Ghoshal and Bartlett, 1997; Ghoshal, Piramal and Bartlett, 2000) as the most important determinant of the success of diversification. Bettis and Prahalad had advocated a specific area of this capability: ability to manage different dominant logics for different businesses at the same time.

The paper was not one that made a great impact in my view, certainly not what its rich content deserved. I suspect this was because the concept of dominant logic was difficult to grasp, and managers tended to attribute to themselves greater abilities to really understand the logic of new businesses or manage variety than they actually possessed. Hence advocating better understanding of the dominant logics of new businesses or managing the variety perhaps did not attract much managerial attention. I suspect also that the relative lack of impact of this paper was due to its publication in *Strategic Management Journal*, not really a favourite read for practising managers.

Strategic Intent, Stretch and Leverage

The concept of strategic intent is widely popular, and it gained currency from his article with the same title in *Harvard Business Review*, May-June 1989 (Hammel and Prahalad, 1989). This concept went much further than specific strategic goals and milestones, but was not so broad as organizational purpose; it was a sort of vision of what the organization’s position in a business would be like at a future point. I found it hard to distinguish it from a broad strategic objective, and though executed in incremental steps, organizations do have a direction and consistency in their actions with a view to achieving the broad objective. Strategic intent implied also a stretch in the organization (a concept he developed later as “stretch and leverage,” see below) and its resources, with a view to achieving something not recognized as easily achievable. Strategic intent would thus be a stretched and clearly understood broad strategic objective of what a firm intended to achieve. It enabled a firm
to strive to reach out to much greater heights than would be apparent from a traditional SWOT analysis.

Core Competence
What made Prahalad (and Hamel) truly famous was undoubtedly their landmark paper, “Core Competence of the Corporation” (Prahalad and Hamel, 1990). This paper marked a fundamental departure from the “outside to inside” thinking of traditional Business Policy thinkers, who started with environment, and went on to “fit” the organizations’ strengths and weaknesses to it. Resources were to be marshaled to achieve what was dictated by the environment. The Resource Based View (RBV) scholars had already developed an “inside out” thinking, viewing the resources of a firm as the starting point (for example, Penrose, 1958; Wernerfelt, 1986; Barney, 1991). CKP emphasized the need for combining these resources and stretching them to new areas and new lengths; combined with an ambitious strategic intent, a firm could do its tasks in a markedly distinct way from its competitors. The trick was to find what a firm could do in a distinct and superior way as compared to other firms across different activities or products. For example, CKP cited Canon’s ability to produce miniaturized versions of a wide variety of products. The test of a core competence was its applicability across a number of different products and businesses to produce distinct and competitively superior offerings.

The concept of core competence challenged the managers to view their firms as a portfolio of competencies rather than as a portfolio of businesses. The Strategic Business Unit (SBU) concept, developed to enable decentralized functioning of a multi-divisional corporation, indeed had enabled setting of high levels of accountability and the development of general managers at a relatively early stage in their careers. But it also created individual islands, the SBUs, which stopped thinking beyond their own boundaries. The result was the inability of a corporation to leverage competences developed in one business into another. The SBU-based companies in the US grew more slowly as compared to the Japanese companies which focused on the application of certain competencies across businesses, gaining competencies in each. Core competencies, CKP argued, could be the means to get out of the tyranny of SBUs.

Core competence, like many of CKP’s concepts, made for easy understanding at an intuitive level but was a teacher’s and researcher’s nightmare. While the examples he cited were perfectly logical in retrospect, when practitioners tried to apply the concept in their own firms, and identify their core competences, they found the going difficult. Actually, most of the practitioners thought they had found the core competencies of their companies, but most of the times these were so general as to be virtually useless: managers claimed their core competencies lay in project management, cost control or good financial management or even simple “good management.” In practice, the actual identification of such competencies seemed difficult.

Strategy as Stretch and Leverage
The real utility of the concept of core competence was in my view, not to enable accurate identification of an organization as such, but to enable executives to think of possibilities rather than limitations. It challenged CEOs to explore new possibilities where they could leverage the competencies of their firms. That was what was singular about CKP: after an interaction with him, CEOs suddenly felt energized and inadequate at the same time. He would not let smugness stay; he would continuously goad everyone to stretch and reach further and further.

He explicitly challenged them to do so in his article, “Strategy as Stretch and Leverage” (Hamel and Prahalad, 1993). They argued that resources needed for achieving ambitious strategic goals would always be inadequate: the existing resources would have to be stretched. Several ways to do this were pointed out: concentrating resources and focusing them, accumulating new resources through extracting new ideas and borrowing from other companies; complementing resources through blending and borrowing; conserving resources through recycling, co-opting and shielding them from unnecessary risks, and recovering resources. Ambitious managements must know how to stretch resources without snapping the organization. This stretch happens mostly incrementally, and while it is under the overall direction set by the top management, its actual execution takes place at numerous levels in an organization. Thus, in a sense, the concepts of stretch and leverage helped to bridge the gap between those who saw strategy as essentially a purposeful top down exercise, and those who saw it as “employment” from a series of not necessary connected incremental decisions.
The book, *Competing Future*, by Hamel and Prahalad (1994), put together the above ideas in a coherent way. The basic theme of the book was what he had been advocating in his earlier papers: We are reaching the end of incrementalism; further progress would only occur through completely innovative, out-of-the-box thinking. Future cannot be predicted, but it can be imagined and made to happen. As the authors claim, this book, putting together in one place the numerous ideas developed by them over the years, was for activists and revolutionaries.

**Exploring the Bottom of the Pyramid**

A great ability of CKP was to look at what everyone looks at all the time and yet see it differently. During his perambulations all over the world, he saw what a potential the BoP market held, and how some companies were exploiting it profitably. They were different companies doing different things, but he saw with astonishing clarity the commonalities in their themes. The idea of lower margin higher volume business was age old, but what he observed was that it was not the only way; there were many other ways of reaching out to the BoP. MNCs and even large local corporate saw BoP as “unviable” and neglected them. He told them they could not only serve the BoP, but also serve them profitably. The key insight was that when serving the BoP, the firm does not start from the cost to determine the price; rather it has to start from what price the BoP consumers are willing to pay and work backwards to the cost at which the firm has to produce. Rarely will just a large volume production be sufficient by itself; it has to be combined with other innovations. In some cases (such as the Jaipur Foot), the design and materials have to be drastically modified to bring down the cost; the delivery (in this case the fitment of the prosthetic limb) needs to be quick and effective; the needs and concerns of the poor need to be given due consideration. This might mean measuring the patient, producing the limb, fitting it and giving training to use it: to be done all in one day. Or in the case of Aravind Eye Hospital, to produce intra ocular lenses (IOLs) at a cost of $5 when an imported lens (all IOLs were imported in the late 1970s) cost $80! The doctors’ productivity could be enhanced from about 5 surgeries per day to 25 through a streamlined “production” system; bringing patients from different villages, performing eye surgeries on them, and dropping them back in their villages; instituting a number of outreach activities and so on. Aravind performs half of its surgeries and treats about half of its outpatients free and without any grants or donations. Thus it could perform about 200,000 surgeries per year, at least half delivered to the truly poor.

In his celebrated book, *The Fortune at the Bottom of the Pyramid* (Prahalad, 2005), CKP argued that the BoP segment would indeed be unviable so long as companies do not change their business models; but if they are willing to relook at how they need to address this segment (sometimes through adaptation; sometimes through a completely new business model), then a fortune awaits them. The fortune arises from sheer numbers in this segment.

CKP proposed a set of 12 guidelines for companies addressing the BoP segment (see Box 1).

**Box 1: Twelve Principles of Innovation for BoP Markets**

1. Focus on price-performance combination instead of just price
2. Develop hybrid solutions. See how the latest technologies can be used.
3. Ensure scalability of BoP solutions, in building up [a scale and replicating across different environments
4. Conserve resources
5. Understand the functionality of the product in the new environment and adapt it
6. Process innovations such as logistics and special ways to segregate customers needing different kinds of value are also important
7. Reduce the skill demands at different stages
8. Create demand, educate customers
9. Make sure products work in drastically different environments
10. Understand the heterogeneity of the customer population
11. Ensure adequate distribution systems
12. Keep track of evolution in BoP markets and continuously modify your products/ processes.

The BoP concept had its share of critics, notably from CKPs colleague at Michigan, Prof. Karnani (2009). They argued that by enticing the poor to purchase “non-essentials” – such as soap and shampoo, they are encouraging them to cut down on their consumption on essentials; it is more important to increase their purchasing power. CKP’s response was to emphasize the need
for choice even at the BoP: Let the poor choose to be clean or be dirty. No one can dispute that indeed increase in purchasing power is what is needed by the poor: but the poor often pay much more for products and services than the rich, as for example, for water. That is because these products are produced and distributed the same way for the poor as for the well-to-do. Indeed, by reducing costs to affordable levels through innovations, firms may actually increase their consumption basket and effective purchasing power.

It would seem that CKP’s book on BoP was primarily directed at MNCs and large corporations. Perhaps it is true that from a marketing point of view, the book (published from USA), did address this much larger reader population, but it is as much applicable to local firms of quite different sizes. In fact, out of 12 cases cited in his book, only four are multinationals, and even among them, HUL and ITC are considerably independent companies in India, with a great deal of strategic independence given to the local firms. Even CEMEX’s innovation was based essentially in its home country, Mexico.

Co-creation

The next big contribution by CKP has been his idea of co-creation developed jointly with Venkat Ramaswamy (Prahalad and Ramaswamy, 2004). He argued for a changed line of thinking about the customers to be marketed to. The new idea was to move away from catering to their needs to involving them in the different stages in the value chains of the product: starting from the design of the product, to its distribution and delivery and after-sales service. They called it a movement from customer satisfaction to creating a new customer experience. This involved a different way of thinking by the organizations: willingness to engage in a dialogue with the customer, providing them access to information, and induce a much higher degree of transparency. Customers would decide what kinds of products they want, and what kinds of risks they would like to take in the process. Modern technology makes it possible to produce an endless variety of products, all tailor-made for individual customers: the so-called Power of One (a theme he developed in his last book, The New Age of Innovation, co-authored with M S Krishnan (2008). With his characteristic flair for innovative labelling of a new concept, he and Krishnan called this “N=1,” meaning individualized creation for each customer. They also pointed out that today the resources of companies are global, or “R=G”

Actually, these ideas had already been introduced by managers. For example, Dell had developed this model of letting the customers configure their own computers; Cisco had done a somewhat similar thing with routers. There could be many applications where the design or delivery could be varied infinitely to suit individual customer tastes; in fact even cars can be configured by the customers and manufactured for each separately, thanks to the modern automatized manufacturing process. Incidentally, it saves big money for the firm – the customers are doing part of the firm’s work for free. Today many software products are beta-tested and customers’ views elicited to solve the problems in the product – the inspection and rectification done free by the customers! The open source software and even reference books such as Wikipedia point to the scope of such involvement of customers at different stages of the value chain of products. The contribution of CKP and his co-authors was to show how firms could involve customers creatively and at the right stages so that they could experience their contribution towards value creation. They summarized the three key trends in the coming years that would determine how customers would relate to institutions: collaboration, connectivity, and the power of computing. Any firm that ignores these trends does so at its own peril.

The Future Belongs to Emerging Economies

The theme CKP had latched on to in his last years was that the emerging economies such as India were the future leaders of the world. India particularly held a special place in his heart and he never tired of reminding the audience what potential India had. He argued that the state of being less developed was actually an advantage, since emerging economies could leap-frog over the less inefficient technologies and processes, and set up systems that were free of legacy baggage. They would be foolish to repeat the mistakes done by the firms of the developed world, but would have to develop their own innovative solutions. Lately Immelt, Govindarajan and Trimble (2009) have taken this theme into their concept of reverse innovation, where emerging economies
export new ideas and models to developed economies to be adopted by them. CKP outlined a vision for India for the year 2022, i.e., when India would be 75 years old after attaining Independence, and his “My Vision for India @ 75” was indeed an inspiring, but practical presentation (See Box 2). He inspired audiences with stories of Aravind Eye Care System, Jaipur Foot, HUL’s initiatives into the rural segment, with its Project Shakti, ITC’s E-Choupal, ICICI’s innovative health insurance policies for the diabetics, and so on. Many felt he knew more about India, or even their own cities than they did themselves. He urged Indians to take their rightful place in the world economy, for which constant innovation was the key. He kept reminding all about the sheer size of Indian market, the ingenuity of Indian people, their capacity to take risks and their never-say-die attitude. He urged everyone to create a sandpit for oneself to play in, and develop new ideas. He pointed out how ideas from India (and other emerging economies) were influencing the developed world rather than the other way round. He continuously urged people to forget about the best practices and focus on the “Next Practices” instead. He would never let anyone rest for a moment on one’s laurels and feel complacent.

During his trips, he talked to many managers, workers, and consumers, travelled widely to all sorts of interior locations, and observed many, many new things that were all there but which everyone would have missed. His ability to provide great ideas was unmatched, and he richly deserved being ranked as the “Most Influential Business Thinker,” most recently in October 2009, by the leadership consulting firm, CrainerDearlove. Despite his punishing schedule, he found time to come to Ahmedabad every year to deliver a lecture on his new ideas, organized by the Ahmedabad Management Association at the Louis Kahn Plaza of the Indian Institute of Management, Ahmedabad. It was amazing to see how every year he had so much new to say. Each encounter with him was an energizing experience and, like Ghoshal, he left behind a trail of ideas.

Alas, such ideas will flow no more.

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Be concerned about due process. People seek fairness—not favours. They want to be heard. They often don’t even mind if decisions don’t go their way as long as the process is fair and transparent.

— C.K.Prahalad