

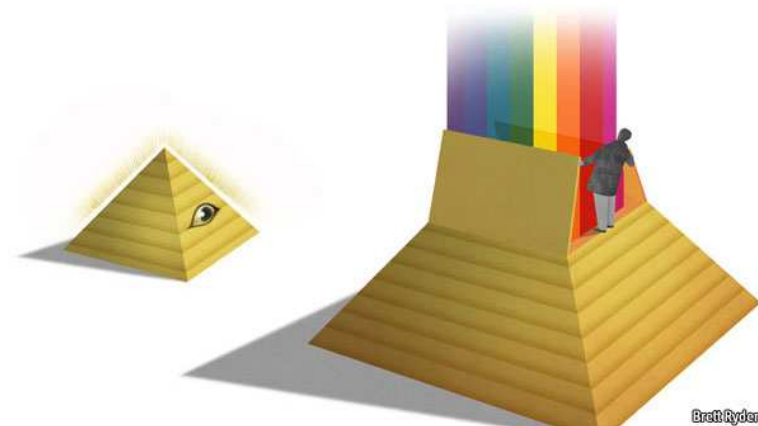
The
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Schumpeter

The guru of the bottom of the pyramid

C.K. Prahalad's death on April 16th has deprived the world of a great management thinker

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COIMBATORE KRISHNARAO PRAHALAD, universally known as C.K., was the most creative management thinker of his generation. He revolutionised thinking on two big subjects, business strategy and economic development, and made a significant contribution to a third, innovation. His admirers were legion, including bosses of some of the world's biggest companies, heads of NGOs and founders of scrappy start-ups.

Mr Prahalad burst onto the management scene with two path-breaking articles in the *Harvard Business Review*, "Strategic Intent" (1989) and "The Core Competence of the Corporation" (1990), and a bestselling book, "Competing for the Future" (1996), all co-written with his former pupil, Gary Hamel. "Core competence" remains one of the most frequently reprinted articles ever published by *Harvard Business Review*.

Mr Prahalad shifted the focus of strategic thinking dramatically. He believed firms should seek not simply to position themselves well within their existing markets but to capitalise on their advantages to redefine markets in their favour. That, he argued, involves identifying and developing strengths, such as logistics or miniaturisation, that cannot easily be imitated by competitors. Firms should then "stretch" those skills to the maximum, setting themselves ambitious and industry-transforming goals, and using those goals to galvanise their workers. He cited a long list of successful Japanese companies, such as Sony, Canon and Komatsu, which had done just that.

Mr Prahalad was particularly struck by the ability of these firms to harness the ideas of their humbler employees. And, later in his career, he became increasingly fascinated by innovation. He argued that company-centric innovation was giving way to "co-creation", in which firms collaborate with their customers and business allies. He also shifted his attention to the legion of small businesses that were redefining the corporate world.

Mr Prahalad's work on strategy and innovation turned him into a superstar. He sat on the board of several prominent companies, including Hindustan Unilever and Pearson (which is a part-owner of *The Economist*), and worked as a consultant for others, including AT&T, Citigroup, Oracle and Philips. He subjected these corporate titans to often coruscating questions about their ability to "compete for the future". He commanded huge speaking fees and lived in grand houses in Michigan and California.

But his native India always tugged at Mr Prahalad's heartstrings. He was a leading member of Indus Entrepreneurs, a self-help group for Indian entrepreneurs. He was haunted by the contrast between the rich world he inhabited and the poor world he had grown up in. This led him to veer off in a radically new direction—and to produce perhaps his most thought-provoking book. "The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits" (2004) was a counterblast against two types of intellectual laziness: that of corporate titans who were ignoring the bulk of humanity and that of humanitarians who regarded profit as a dirty word. He argued that the world's poor represented trillions of dollars' worth of pent-up spending power. And he demonstrated that a legion of innovative companies in the developing world, including several in his native India, were learning how to turn these people into paying customers.

The book proved to be perfectly timed. Companies were waking up to the fact that technological innovation and economic reform were opening up new markets in poorer countries. Firms from those countries were growing in confidence. And academics were recognising the limits of their state-sponsored view of development. Mr Prahalad was lionised in the emerging markets, particularly in India, and hailed by corporate philanthropists, notably Bill Gates. The United Nations gave him a seat on its commission on the private sector and development.

What made Mr Prahalad such a creative thinker? And why was he able to keep reinventing himself when his fellow gurus were happy to trot out the same ideas for ever-rising lecture fees? For all his success, he was an outsider in the American-dominated world of management theory. He was one of nine children of one of Chennai's leading judges and Sanskrit scholars, and spent a formative period in his youth working for Union Carbide, an American chemicals firm which later became infamous for the deadliest industrial accident in history, at a factory in India.

This outsider's view went hand in hand with intellectual restlessness. Mr Prahalad invariably worked with a collaborator and never wrote more than two articles on the same subject. This gave his work an unfinished air. He did not revisit the idea of "core competences" in the light of the poor performance of some of the Japanese Godzillas he once worshipped, nor the idea of "stretch" in the wake of the epidemic of over-leveraging. Nor did he provide a satisfactory reply to critics who argued that the real promise of emerging markets lay in the middle of the pyramid.

Preaching, not practicing

This impatience led to one of the few failures of Mr Prahalad's otherwise gravity-defying career. In 2000 he co-founded a software company, Praja, which was meant to act as a test bed for his ideas, particularly his commitment to bringing information to ordinary people. Instead, it ate up millions of his own dollars and was sold off two years later. He concluded that he was no good at the "blocking and tackling" that fills most managers' days.

But then Mr Prahalad's core competence lay in big ideas rather than in dotting the "i"s and crossing the "t"s. He taught the world's biggest companies to think of themselves anew, as a "portfolio of competencies" rather than as a "portfolio of businesses". He taught everyone to see the developing world not as an also-ran but as a vortex of innovation and creativity. The world of management theory has more than its fair share of charlatans, but C.K. Prahalad was the genuine article.

Business