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Second Edition

Habitual domains in decision making: see DECISION MAKING, HABITUAL DOMAINS IN

Hamel, Gary (1954–) and Prahalad, C.K. (1941–)

Personal background

Gary Hamel

- born in 1954
- received a BSc from Andrews University in 1975 and an MBA from the University of Michigan in 1976
- graduated from the University of Michigan with a PhD in business in 1990
- joined the London Business School in 1983, teaching global strategy whilst completing his thesis
- founded Strategos in 1994
- currently visiting professor of strategy and international management at the London Business School
- chairman of Strategos and serves on the board of governors of the Strategic Management Society

C.K. Prahalad

- born 1941
- Harvard University, 1975; International Teachers Program (ITP), Harvard University, 1972; Indian Institute of Management, Ahmedabad, 1966; BSc, Loyola College, University of Madras, 1960
- worked in industry 1960–71
- visiting research fellow at Harvard Business School, 1975
- professor and chairman of the Management Education Program, Indian Institute of Management, Ahmedabad, 1975–77
- visiting professor, INSEAD, France, Summer 1981
- joined University of Michigan Business School as associate professor, 1978–86
- currently Harvey C. Fruehauf Professor of Business Administration and professor of corporate strategy and international business, University of Michigan Business School

Major works

Competing for the Future (1994)

Summary

Gary Hamel's renown is inseparable from his highly successful collaboration with C.K. Prahalad. Together, they developed managerial-oriented ideas on strategy that ran counter to the prevailing spirit of downsizing and financial control prevailing in the 1980s. As many corporations thought through the complexity of restructuring, Hamel and Prahalad provided a window for top-management decision making on possible future alternatives. Their ideas have been more powerful in the world of practice than in research. However, in changing practice, they have influenced the phenomena studied by academics.

1 Biographical data

Gary Hamel attended Andrews University in Berrien Springs, Michigan. Andrews University was founded by Seventh Day Adventists and maintains the goal of providing a 'high quality Christian education'. Subsequently, he pursued an MBA and later PhD in business at the University of Michigan. While finishing this thesis, Hamel joined the faculty of the London Business School where he taught global strategy for a number of years.

At the University of Michigan, he studied international business and strategy and also started his partnership with Professor C.K. Prahalad, who exercised a powerful influence on his early thinking. Prahalad had received a DBA in 1975 from the Harvard University Business School and was already renowned for his incisive articles on the organization and strategy of multinational corporations. Prahalad's work often has a Cartesian precision in the development of a few principles, backed with rich business examples. The analytical but grounded quality of his thinking is clearly evident in his article on 'dominant logic' (developed with Richard Bettis and Stephen Bradley) that describes a firm's implied strategic orientation. Their article published in the *Strategic Management Review* (Prahalad and Bettis 1986) won a retrospective prize for best paper. Contrary to the broader academic conventions, Prahalad openly advocated the importance of contributing to managerial practice as the critical benchmark for successful research.

No doubt, Prahalad's views shaped Hamel's revealed preference for publishing in management-oriented publications, primarily the *Harvard Business Review*, and his criticism of conventional academic approaches. He wrote, for example, in his thesis on collaboration:

> Practitioners – and if research is not for their benefit, for whose benefit is it – are likely to find little value in causality statements, however iron-clad, that are dependent on a precise and rarely occurring admixture of qualifying conditions. What the practitioner wants is theory which recognizes, and synthesizes the contingencies, trade-offs, and inter-relationships which so frustrate the traditional researcher.
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> (102)

Hamel has published several key articles in the *Harvard Business Review*, most with Prahalad. A number have won the McKinsey Award for best publications of the year in the review, more prizes than won by any other author. These articles developed the notions of strategic intent, core competence, and expeditionary marketing. Much of this success was earned while Hamel was still preparing his thesis. The disparity between his status as a lecturer and later untenured professor and his growing fame as a management thinker and consultant enhanced his criticism of the bias of academic research towards empirically and theoretically reasoned study. He was awarded his PhD in 1990.

Prahalad and Hamel sold their consulting firm for an undisclosed sum believed to be several million dollars. While retaining a position at the London Business School, he moved to northern California. In 1994, he founded the consulting firm of Strategos a company which would, in his words, 'help companies imagine the future, and having imagined it, create it'. In later years and independent of Prahalad, Hamel proposed a distinctly anti-Cartesian call for creativity and revolutionary strategy.

2 *Harvard Business Review* and thesis

The articles co-authored by Gary Hamel and C.K. Prahalad and published in the *Harvard Business Review* show a filtering of early initiatives into a coherent strategy doctrine (see GENERAL MANAGEMENT, STRATEGY, CONCEPT OF). Their initial article on global strategy was an influential, though not distinctly original article. Prahalad had applied the Lawrence and Lorsch framework of integration and differentiation to the multinational firm in his Harvard thesis; integration represented the forces that pushed the firm toward recognizing interdependence among country subsidiaries; differentiation reflected the diversity of cultural, consumer, and political factors across countries (see LAWRENCE, P.R. AND

LORSCH J.W.). The Prahalad and Hamel article made a few distinctions between strategies before proposing that the success of a global strategy rested in cross-subsidization across countries. A manager could apply the cash flows earned in one country to building a position in another. This framework had a distinctly cash flow matrix imprint, and was in large a Boston Consulting Group cash cow concept applied to international markets.

Later joint work focused on the role of collaboration and joint ventures in international strategy. In this work, Prahalad, Hamel and co-author Yves Doz (Hamel, Doz and Prahalad 1989) were quick to stress the importance of learning in the context of these ventures. It is important to recall that debate at this time frequently centred on the belief that Japanese firms used joint ventures to acquire the technology of Western partners who they then discarded; this point of view was expressed strongly in an article by a future Secretary of Labor, Robert Reich, published in the *Harvard Business Review* (Reich and Mankin 1986). This belief of a Japanese intent to absorb foreign technology is not entirely absent in the writings of Prahalad and Hamel at this time. Hamel's emphasis on joint ventures as 'learning races' reflects a refined concern over the dangers of losing 'core technologies' to Japanese partners.

As seen in his thesis (completed in 1990), this perspective later shed its overtones of Japanese competitive threats to a broad framework on how to create value in joint ventures through enhancing a firm's 'receptivity' to learning. This thesis took a grounded-theory approach to propose an eclectic approach to collaboration:

> Researchers who tie themselves to a particular stanchion limit the range of their insights ... (These researchers) all seem to have devoted more attention to demonstrating the applicability of pre-existing theory to the emerging collaborative phenomenon than to developing a theory of collaborative behavior that grew out of the phenomenon itself. With their allegiance to existing theoretical constructs, each of these researchers has taken hold of a different part of the elephant and has a different story to tell. It's not clear that anyone knows what the elephant looks like in its entirety.
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> (99)

Rather than delineate his contribution to existing theory, Hamel instead detailed in greater depth many of the points made in his previous publications. Using extensive interviews with top managers in several countries, he illustrated from business practice how successful firms are more receptive to learning.

Through their growing exposure to Japanese firms due to their field research and other activities, Prahalad and Hamel developed a more nuanced interpretation of Japanese strategy as reflecting a long-term strategy based around a defined set of core competencies (see JAPAN, MANAGEMENT IN; UNITED STATES OF AMERICA, MANAGEMENT IN). This interpretation is to be found, partially, in Japanese writings, especially the book written by Kagono, Nonaka, Sakakibara and Okumara (1985) which compared the long-term evolutionary focus of Japanese firms to the revolutionary strategies of American companies. It also reflects the highly publicized strategies of some Japanese firms who boldly stated their global intentions in terms of core technologies. A prominent example is NEC who announced their ambition to lead in the '2 Cs' of communications and computers.

In comparison, during the 1980s many American firms underwent radical restructuring built around divisionalization with tight financial objectives. High technology firms such as Corning and AT&T sought the appropriate organizational form by which to provide financial incentives and controls to guide managers' decisions. The prevailing corpus of strategic thinking, as taught in business schools and in consulting, was strongly influenced by the writings and consulting practice of Michael Porter, a professor at the Harvard Business School and founder of the consulting firm Monitor. Porter advocated an 'industry structure' approach to market definition and to identifying the sources of competitive advantage. He stressed the importance of understanding the forces that erode profitability and the factors that lead to excessive rivalry in well-defined industries. His frameworks of industry structure and the value chain pro-

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s fighting last year's battles. Instead, corporations should build long-term competencies that exploit the white spaces by creating positions of leverage.

They emphasize that they 'start with a pro-bigness bias'. The book is oriented to giving advice to managers of large corporations and is directed towards finding the sources of strategic renewal. These sources are found by linking core competencies to 'gateways' to new opportunities. The role of strategy is to 'stretch' the resources of a company. A strategy should not fit a company to its environment, but create gaps between their current capabilities and aspirations. By creating this dynamic, managers motivate their firms to realize their aspirations.

4 Strategy as revolution

In his first clear departure from his intellectual partnership with Prahalad, Hamel built upon the idea of stretch to argue that strategy is revolution. Much like Tom Peters, who moved from the analysis of 'excellent' firms to strategy as guerilla warfare, Hamel chose to develop the emotive implications of his thinking. Strategy is no longer the province of top management, but is the expression of democratic sentiments in a firm. Everyone makes strategy. In this new role, top managers often find themselves quickly moving to take leadership of bandwagons that have bubbled up from below. The consulting firm of Strategos, headed by Hamel, takes this notion of strategy as a creative democratic process as its mission.

5 Evaluation

The writing and career of Hamel are too recent to evaluate for their historic contribution to management thought. However, it is apparent that Hamel and Prahalad's success is driven by a counter-trend insistence on long-term commitment to a strategy and to investment in capabilities as opposed to the financial emphasis on quarterly justification of economic value added. Clearly influenced by what they perceived in Japan, they filtered these observations into a honed statement as to what should drive the strategic process in the firm.

While attentive to learning across countries, Hamel and Prahalad are not interested in the institutional and contextual explanations for these differences. They take the large firm as the unit of analysis. The strength of the US in growing small firms to industrial giants in a few years plays little acknowledged role in their analysis. Their writings imply the position that European firms are paradigms of globalized companies, and Japanese firms epitomize the ability of large companies to renew their innovative potential. Hamel, however, wrote off the American computer industry too quickly (see Bettis, Bradley and Hamel 1992), and did not acknowledge the institutional strengths in the American system of allowing small firms to grow and large firms, such as Motorola, to shed older technologies by divesting and outsourcing (see INTERNATIONAL BUSINESS, FUTURE TRENDS).

Despite their hostility to academic conventions, Hamel and Prahalad espoused a set of ideas to which a new body of academics could point as legitimizing their recent theorizing on competitive advantage as derived from an evolutionary development of unique resources. Yet they did not themselves seek to link their ideas to these and affiliated developments. As a result, their writings often are deficient in suggesting too hastily that competitive and quantitative assessments are misdirected. Their emphasis on consumer value implies the need for a way to identify what consumers prefer. The value of competencies must, by logic, be party determined by the capabilities of other firms to offer competing products; yet competitive assessment is largely ignored. Though right in their evaluation of the bias of financial criteria, Hamel and Prahalad ignore recent efforts in financial economics that support their insights. Core competence and white spaces imply a 'real option' thinking, in which a firm explores new markets by making investment bets on new capabilities. The notion of strategy as revolution suggests the need for some refined criteria by which choice among competing petitions might be made: majority vote is an unlikely way by which to elect a strategy. Yet it is unclear how strategies become chosen. Is the suggestion then that hierarchy remains but should harness the ideas of everyone in the firm? Or is the image one of the firm as an American town hall meeting where all can debate all? These details are left unaddressed, though the work done on related topics, e.g. the voting rules among board of directors or shareholder meetings, is voluminous and pertinent.

Hamel and Prahalad seldom offer more than logic and insightful cases as evidence for the accuracy of their ideas; statistics and even numerical facts do not populate their pages. In this regard, they implicitly embrace Popper and Campbell's view of academic ideas as arising out of an evolutionary epistemology in which 'good ideas' survive. But this presumption raises the intriguing issue of what is the relevant community that selects. Prahalad and Hamel are quite clear that business practice is the ultimate test. The face validation of ideas is their acceptance by practitioners. The two authors are not shy to identify this validation ass the extent to which their ideas enjoy commercial success.

Hamel's epistemology challenges the rationalistic conventions of an academy that cannot accept him without contradicting their own principles. American business schools raised themselves from the miasma described in the devastating Howell report of the 1950s and their academic success rode on an explicit and ideological programme to install science and method into business curricula. Operations research, management science, finance and economic mathematics were paradigmatic of the new business school. Two rounds of Nobel prizes went to achievements in financial economics (portfolio and derivative theories); an earlier Nobel Prize went to Herbert Simon for his formal analysis of bounded rationality (see SIMON, H.). The resolution of the institutional insecurity of the professional school in the university was to imitate the sciences through functional specialization and increasing formalization. By the 1980s, these efforts had largely succeeded in organizational behaviour, marketing, operations, accounting, and belatedly in business policy and strategy.

Hamel and Prahalad found the constraints imposed by functional and scientific aspirations of business research inimical. However, unlike his mentor Prahalad, Hamel has developed a non-Cartesian emphasis on revolutionary strategy as expressive of a creative democracy even further. He does not rely upon any studies on participative management, creativity, or innovation. In this latest appeal, he is openly provocative in calling for the freeing of imagination from the strictures of business schools. Even if they appreciate his contributions, he recognizes that they cannot easily accept him.

Hamel and Prahalad are not interdisciplinary; they are non-disciplinary, holistic thinkers. They consciously drove a stake into the wound of professional schools seeking academic validation from their universities. To succeed in changing business school education, Hamel's natural allies are the humanities and theology. Neither of these fields has made an inroad to the business school but both express important values for many business people. Whether the premise of strategy as revolution can be sustained over the interim is contingent on the direction of the future development of the culture of business and their schools of professional training.

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Further reading

(References cited in the text marked*)

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Doz, L.Y. and Hamel, G. (1998) *Alliance Advantage: The Art of Creating Value Through Partnering*, Boston, MA: Harvard Business School. (An interesting work by well-known strategic thinkers on how partnerships in business help create value.)

Hamel, G. (1991) 'Competition and inter-partner learning within international strategic alliances', *Strategic Management Journal* Summer 12: 83–103. (A key article on international strategic alliances.)

Hamel, G. (1996), 'Strategy as revolution', *Harvard Business Review* 74 (4): 69–71. (Another key article on the strategy as a concept.)

Hamel, G. and Prahalad, C.K. (1989) 'Strategic Intent', *Harvard Business Review* 67(3): 63–76. (Won coveted McKinsey Award.)

* Hamel, G. and Prahalad, C.K. (1985) 'Do you really have a global strategy?' *Harvard Business Review* July/August, 63(4): 139–148. (An early example of their pathbreaking analysis.)

Hamel, G. and Prahalad, C.K. (1990) 'The core competence of the corporation', *Harvard Business Review*. (Won coveted McKinsey Award and is the most reprinted article in *Harvard Business Review*'s history.)

Hamel, G. and Prahalad, C.K. (1991) 'Corporate imagination and expeditionary marketing', *Harvard Business Review* July/August. (This article places a greater emphasis on the marketing element.)

Hamel, G. and Prahalad, C.K. (1993) 'Strategy as stretch and leverage', *Harvard Business Review* March/April, 71 (2): 75–84. (Explains how to develop strategies to create leverage.)

* Hamel, G. and Prahalad, C.K. (1994) *Competing for the Future: Breakthrough Strategies*, Boston, MA: Harvard Business School Press. (Offers an innovative blueprint for what your company must be doing today if it is to occupy the competitive high ground of tomorrow.)

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Reich, R.B. and Mankin, E.D., (1986), 'Joint ventures with Japan give away our future', *Harvard Business Review* March/April 64 (2): 78–86. (Critical article on how joint ventures with Japanese firms lead to possible loss of competitive advantage.)

Note

Strategos can be visited at:
www.strategosnet.com

See also: BUSINESS ECONOMICS; DOWNSIZING; LAWRENCE, P.R. AND LORSCH J.W; MULTINATIONAL CORPORATIONS, ORGANIZATION, STRUCTURE IN; NONAKA, I.; ORGANIZATIONAL INFORMATION AND KNOWLEDGE; PETERS, T.J.; REICH, R.; SIMON, H.A.; STRATEGIC CHOICE