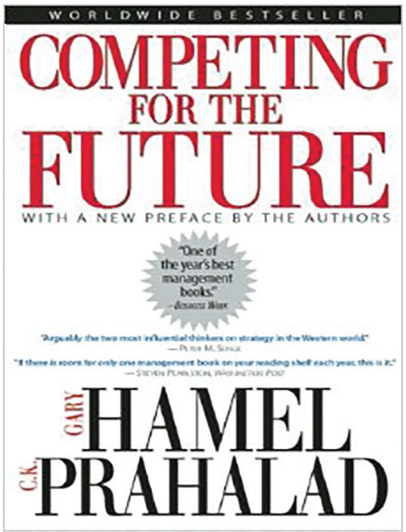
Book Review



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Publication of Year: 1994, Thirteenth Reprint 2008
Publisher: Harvard Business School Press, Boston, Massachusetts and Tata McGraw-Hill

COMPETING FOR THE FUTURE

Introduction

'Competing for the Future', by Gary Hamel and CK Prahalad, focuses on new issues and techniques of strategic planning as discovered, articulated and reported by the authors, both Professors of Business at the University of Michigan. The main message of the book reads as follows: in order for a company to be a success, the company must create its future instead of following other companies into the future. To help managers imagine a future and having imagined it, create it. As future holds good for those who get there first.

Theoretical Framework

By 'creating the future', the authors understand defining and exploiting yet unknown future market opportunities. The opportunities do not have to be confined to the company's core competencies (although the book places significant emphasis on utilizing those). Instead, the company can choose to find alternate distribution channels, beneficial alliances and other creative means of reinventing itself. The authors offer a wide array of management tools to successfully perform the corporate definition of future consumer needs.

According to the book, many once-successful companies have failed because of their lack of regeneration and erroneous belief in persistence of yesterday's business practices. Among the ways to successful corporate regeneration, the authors credit corporate diversity on the thinking level as successful means for breaking established corporate 'myths' of the right way of doing business. The authors note that hiring personnel from outside industries can bring fresh and vital perspective on the present state of an enterprise.

In order to develop the future, a company must first define it. In defining the future today, Hamel and Prahalad suggest building — 'the best possible assumption base about the future.' The 'assumption base' is to indicate to management what changes in the company's products, competencies, and consumer interface are necessary in order to address future customer needs. The collective information about the changes of tomorrow comprises company's vision.

In order to create a successful vision of the future, a company needs dedicated senior management that 'can escape the orthodoxies of the corporation's current 'concept of self' and can enlarge the window of today's possibilities as projected into the future. The authors stress that a corporation should stretch the boundaries surrounding its competitive position of today in order to include tomorrow's competition and changes in customer needs. The book defines a successful corporate vision as the one that demands more of the corporation than the corporation is capable of providing today. Such a 'stretch' between today's capacities and tomorrow's vision ensures that the company innovates in order to achieve the set goals, whereas 'perfect fit (would guarantee corporate) atrophy and stagnation'.

The book underscores the importance of basing tomorrow's market vision on core competencies of the corporation rather than on acquisition of other businesses or 'grass roots' 'entrepreneurship'. According to Hamel and Prahalad, core competencies represent 'competitive strength' of an enterprise, defined and agreed upon by the company's general management. Building on the core competencies gives the company an immediate advantage over competition that needs to assemble similar competencies prior to entering the competitive race.

The authors note that corporate vision by itself 'does not guarantee competitive success'. In order for a company to be profitable, the company's foresight should be accompanied by a sufficient executional capacity. Executional capacity refers to continuous leverage of core competencies accompanied by healthy risk mitigation practices. The authors list several tools that can be used to leverage corporate core competencies in order to take hold of future market opportunities. One of the aforementioned tools is the process of aligning corporate operations based on core competencies rather than products and/or business functions. Operations focused on products and services fragment core competencies, and can subsequently truncate corporate opportunities for growth by disallowing deployment of core competencies when the need arises. Another crucial tool in successful execution of corporate vision is a regular review of core competencies together with competencies benchmarking against existing and potential competition in order to assure the company's market position.

In addition to the ideas cited in this paper, the authors describe myriad of ways to enhance tomorrow's competitiveness of an enterprise. Overall, the book is written in a motivational and comprehensive style. Peppered with real-life examples, the book offers thorough guidance to advance in the future marketplace.

Best Target Audience

Professionals who work in the areas of strategic leadership are going to gain the most from reading this book. The book offers coping mechanisms to the changing dynamics of anticipated future needs. The authors are able to provide deep insight into entrepreneurs aspiring to be successful leaders. This book is a must read for anyone thinking to be successful in the competing market of future.

Use of the Book in Practice

Winning in business today is not about being number one—it is about who 'gets to the future first,' write management consultants Gary Hamel and CK Prahalad. In Competing for the Future, they urge companies to create their own future, envision new markets and reinvent themselves. Hamel and Prahalad caution that complacent managers who get too comfortable in doing things the way they have always done will see their companies fall behind. The authors write, 'At worst, laggards follow the path of greatest familiarity. Challengers, on the other hand, follow the path of greatest opportunity, wherever it leads.' They argue that business leaders need to be more than 'maintenance engineers,' worrying only about budget cutting, streamlining, re-engineering and other old tactics. Definitely not for dilettantes, Competing for the Future is for managers who are serious getting their companies in front.

Strengths

Following are the strengths and lessons that can be drawn to be implemented in an organization to be successful:

a. A company that succeeds at restructuring and reengineering, but fails to create the markets of the future, will find itself on a treadmill, trying to keep one step ahead of the steadily declining margins and profits of yesterday's business.
b. It is not enough for a company to get smaller, better and faster, as important as these tasks may be, a company must also be capable of fundamentally forming itself, of regenerating its core strategies, and of reinventing its industry.
c. To compete successfully for the future, senior or top managers must first understand just how competition for the future is different from competition for the present. Competing for the future requires not only a redefinition of strategy but also a redefinition of top management's role in creating strategy.

d. The deeply encoded lessons of the past that are passed from one generation of managers to another pose, two dangers for any organization. First, individuals may, overtime, forget why they believe what they believe. Second, managers may come to believe that what they do not know is not worth knowing.
e. Intellectual capital steadily depreciates. Customer needs have changed, technological progress has been made, and competitors have advanced their plans.
f. To create the future, a company must unlearn at least some of its past. The more successful a company has been, the flatter it is forgetting curve.
g. The basic rules of corporate vitality: To be a challenger once, it is enough to challenge the orthodoxies of the incumbents; to be a challenger twice, a firm must be capable of challenging its own orthodoxies.
h. Any vision that is simply an extension of the CEO's ego is dangerous. On the contrary, it is equally simplistic and dangerous to reject the very notion of foresight simply because some corporate leaders cannot distinguish between vanity and vision.
i. To get to the future first, top management must either see opportunities not seen by other top teams or must be able to exploit opportunities, by virtue of pre-emptive and consistent capability-building, that other companies cannot.
j. Foresight and strategic architecture provides the map and stretch, and leverage provides the fuel.

To be competitive in today's world, you must focus not only on the now but also focus on creating the future because 'Nothing is more liberating than becoming the author of one's own destiny'.

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