

Book Review

The New Age of Innovation

Author : C.K. Prahlad, M.S. Krishnan

Publisher : McGraw-Hill, 2008

The NEW global standard for innovation from the world's most influential management thinker-C.K. Prahlad is a brilliant new blueprint for corporate growth and innovation. With this new landmark work, C.K. Prahlad and M.S. Krishnan suggest a major shift in organizational structure—one where IT and the respective management structure form the fundamental foundation of a corporation. The future growth of every business depends on it. Once an organization can recognize this, it will be able to innovate processes and products that mobilizes and deploys both technology and global resources.

The main theme of this book, 'The New Age of Innovation', does not sound daunting any more. "His formula is fairly simple. Senior managers also have to act like junior BPO executives as both have to respond to a situation instantly". His promise is that business has entered an era of discontinuous change, and fine tuning or improving an organization's efficiency are no longer sufficient.

'The New Age of Innovation' Revolves around two ideas, laid out on the first page of the first chapter. N=1 states that "value is based on unique, personalized experiences of consumers." That is, even companies serving 100 million consumers need to focus on individuals. R=G, meanwhile, argues that since no company can hope to satisfy the

varied expectations of so many consumers, it must diversify. How it operates?- "All firms will access resources from a wide variety of other big and small firms—a global ecosystem". In other words, companies' internal focus should be on gaining access to resources, not necessarily owning them.

Large companies with millions of customers may find it difficult to focus on one consumer experience at a time? C. K. says ... it should be fairly easy, your friendly neighborhood kirana store owner knows exactly what your needs are. Your database is in his mind. He knows whether you are creditworthy, whether you have upgraded your soap brand, how many family members you have & their eating habits. So he gives you an incredible personalized service.

Examples of Success

UPS, for instance, has evolved from requiring customers to drop off parcels at a central collection point to picking up packages from clients at specified times. "This demonstrates a significant transformation from a business process focus on the firm to a business process focus on each unique customer experience." In other words, no company can afford to think its business can plod on as usual. The ability to rethink a firm's fundamentals and implement appropriate changes will provide the driver of success within the N=1, R=G world.

Executives at Madras Cements, a division of India's Ramco Group, decided against deploying sophisticated and expensive GPS technology to track the movement of its trucks and goods. Instead, drivers were issued \$30 cell phones and instructed to communicate their whereabouts via SMS text messages. The company designed an infrastructure that could process these raw data and give regular, timely insights into driver performance, helping executives identify areas of improvement for both individuals and the company at large. To date, the simple, innovative solution has led to recurring annual savings of more than \$4 million.

Unforeseen Consequences

Some of the themes touched on in the book will be familiar to fans of Prahlad, widely admired as a management expert and for previous books including the popular title 'The Fortune at the Bottom of the Pyramid' (Wharton School Publishing, 2006). In fact, he introduced the co-creation theme in 'The Future of Competition: Co-Creating Unique Value with Customers' (Harvard Business Press, 2004), and some of the same examples are wheeled out again here. But, Prahlad and Krishnan, clearly believe there are still lessons to be learnt, even arguing that no company to date has mastered both $N=1$ and $R=G$.

They also include examples of failures and mistakes. In one powerful example that is undercut by the company in question oddly not being named (an anomaly), the authors discuss the example of a "major auto supplier" in the U.S shifting the sourcing of various parts to China. Unexpectedly, what seemed like a clear-cut business decision had a negative impact on many levels. The logistics of air-freighting parts from China wiped out any cost benefits, while the resulting lack of flexibility and longer lead times meant that

the company's internal design process also had to be entirely rethought. The example provides a salient reminder of the importance of stepping back and thinking about the big picture, to consider the existence of less codified processes and systems, and to identify and preempt the potential consequences of any decision.

Sometimes 'The New Age of Innovation' veers into the academic speak and formulaic structures so beloved of college professors, and there's a fair amount of management jargon that can be grating at times. But, in the main, this is a fairly breezy and informal read that provides a timely snapshot of a rapidly transforming business landscape. As the authors make clear, this transformation is neither optional nor reversible. This book provides a valuable primer for those wishing to stay on for the ride.

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