Corporate Imagination and Expeditionary Marketing

by Gary Hamel and C. K. Prahalad

The global competitive battles of the 1980s were won by companies that could achieve cost and quality advantages in existing, well-defined markets. In the 1990s, these battles will be won by companies that can build and dominate fundamentally new markets. Speech-activated appliances, artificial bones, micro-robots, cars that park themselves—products like these not only make the inconceivable conceivable but also create new and largely uncontested competitive space. Over the next decade, more and more companies that have not already done so will close the gap with their rivals—mostly Japanese—on cost, quality, and cycle time. But without the capacity to stake out new competitive space, many will find themselves interned in traditional, and shrinking, product markets.

Early and consistent investment in what we have called core competencies is one prerequisite for creating new markets. Corporate imagination and expeditionary marketing are the keys that unlock these new markets. A company that underinvests in its core competencies, or inadvertently surrenders them through alliances and outsourcing, robs its own future. But to realize the potential that core competencies create, a company must also have the imagination to envision markets that do not yet exist and the ability to stake them out ahead of the competition.

A company will strive to create new competitive space only if it possesses an opportunity horizon that stretches far beyond the boundaries of its current businesses. This horizon identifies, in broad terms, the market territory senior management hopes to stake out over the next decade, a terrain that is unlikely to be captured in anything as precise as a business plan. The early enthusiasm that several Japanese companies brought to developing high definition television grew out of just such a vision. Careful and creative consideration of the many new opportunities that might emerge if HDTV could be made a reality led them beyond the traditional boundaries of the color television business to identify potential markets in cinema production, video photography, video magazines, electronic museums, product demonstrations, and training simulations, among others.

As this example demonstrates, a company’s opportunity horizon represents its collective imagination of the ways in which an important new benefit might be harnessed to create new competitive space or reshape existing space. Commitment to an opportunity horizon does not rest on ROI calculations but on an almost visceral sense of the benefit that customers will ultimately derive should pioneering efforts prove successful—a deeply held belief that “with all this benefit about, there must be a market in there somewhere.” The more fundamental the envisioned benefits and the more widely shared the enthusiasm for the opportunity horizon, the greater the company’s perseverance will be.

Sony persevered in its 13-year effort to commercialize charge coupled devices (CCDs) because it refused to view the tiny, high-resolution, image-sensing chips in solely technological terms. Instead, CCDs were seen internally as “electronic film,” with the potential to provide much the same range of benefits as traditional chemical-based film and to open markets that Kodak and other companies had
served in the past. A similar “benefits view” of an emerging core competence (the pocketability of radios and other consumer electronic products) prompted the company’s enthusiastic embrace of transistor technology two decades earlier. Sharp’s commitment to mastering flat-screen display technology is likewise based on a belief that high-resolution, thin, energy-efficient video screens will provide a wide range of benefits to customers through many different product applications.

In Japan, the task of creating new markets dominates senior managers’ agendas, partly, perhaps, because their domestic rivalry is so intense. New competitive space does not stay new for long. Building one new business after another, faster than competitors, is the only way to stay ahead. The fruits of this obsession are visible. Think of Yamaha’s strong position in electronic pianos, synthesizers, and other digitally based musical equipment, Sharp’s strengths in pocket LCD televisions and ultrathin displays, or Toshiba’s leadership in laptop computers.

Conventional wisdom says it is almost impossible for big companies to be truly innovative. New businesses that wriggle out from under the deadweight of bureaucracy and short-term thinking exist despite the system not because of it. Yet no one believes that big companies’ employees are any less imaginative than their peers in smaller companies. So to protect imaginative individuals from corporate orthodoxies, senior managers in many companies tend to isolate them in new venture divisions, skunkworks, incubators, and the like.

The goal of such programs is to create a greenhouse in which 1,000 flowers can bloom. But the greenhouse seldom has more than six inches of headroom, partly because of a lack of corporate conviction about the opportunities being pursued and partly because the venture managers cannot tap the company’s resources worldwide. Trying to leverage corporate competencies into new businesses while at the same time protecting new ventures from corporate orthodoxies is a contradiction in terms. Rather than move new business development off-line, the challenge of creating new markets must be met head-on. Individual imagination must become corporate imagination.