

**Lecture 6 - From Confucian Fiscal Thought to
Business: Unique Positioning
Bridging Ancient Military Strategy and Modern
Business Acumen**

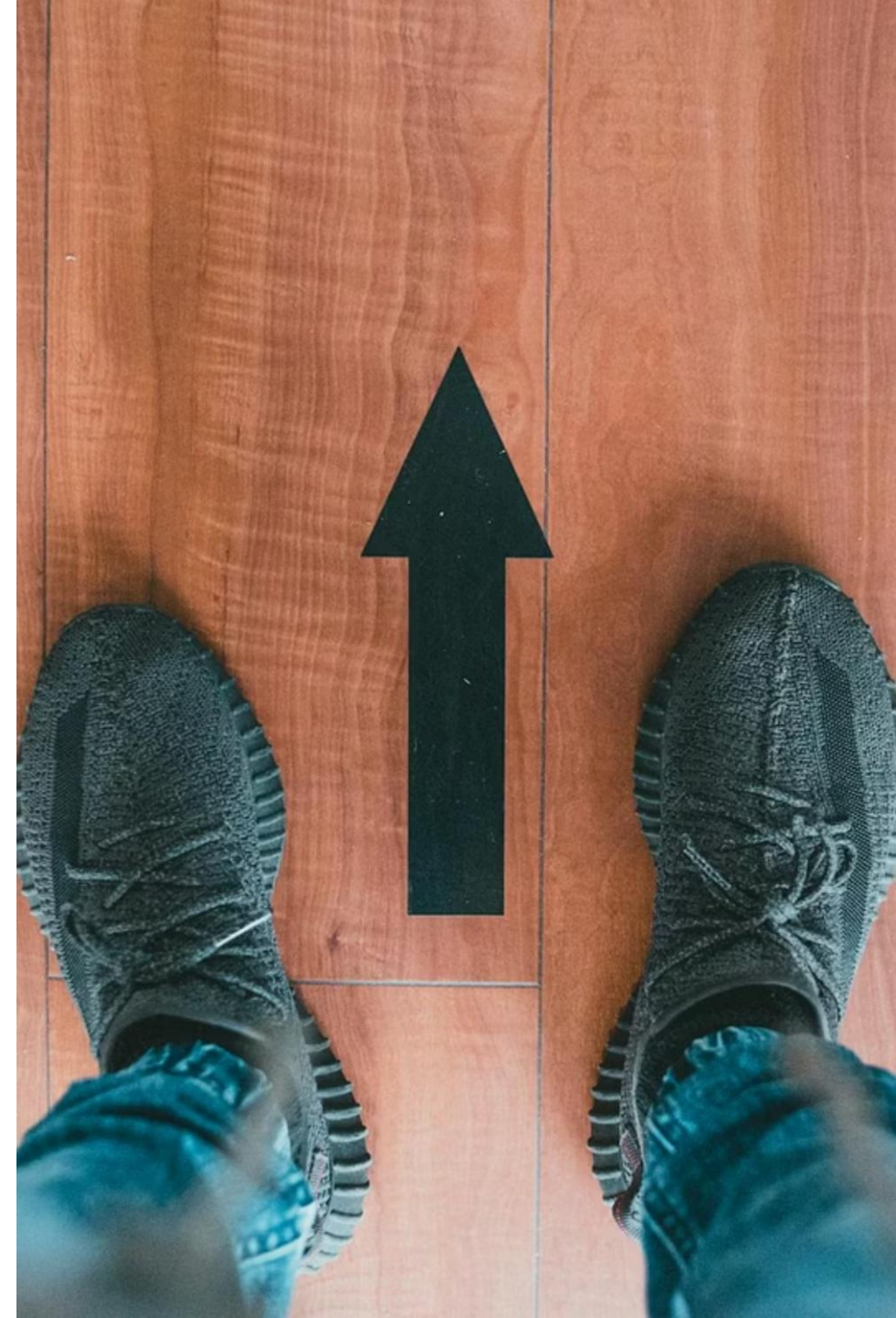
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Introduction: The Key to Victory

Today's topic is **"Unique Positioning"**: The key to victory in both the battlefield and the marketplace.

It's about understanding and leveraging your strengths while exploiting your competitors' weaknesses.





Sun Tzu's Core Philosophy

Avoiding Strengths,
Attacking
Weaknesses.

Sun Tzu's "The Art
of War" revolves
around two key
concepts:

Xu (虚): Weakness
(e.g., vacuity, fear,
disorganisation,
exhaustion,
unpreparedness).

Shi (实): Strength
(e.g., substance,
bravery,
organisation, well-
fed, prepared).

The central pillar of
his philosophy is to
avoid an enemy's
strengths and attack
their weaknesses.

This isn't just about
reacting; it's about
actively *creating* weak-
nesses in your
enemy to exploit.

Historical Example

"Besiege Wei to Rescue Zhao" (354 B.C.)

The Situation: The state of Wei attacked Zhao and besieged its capital.

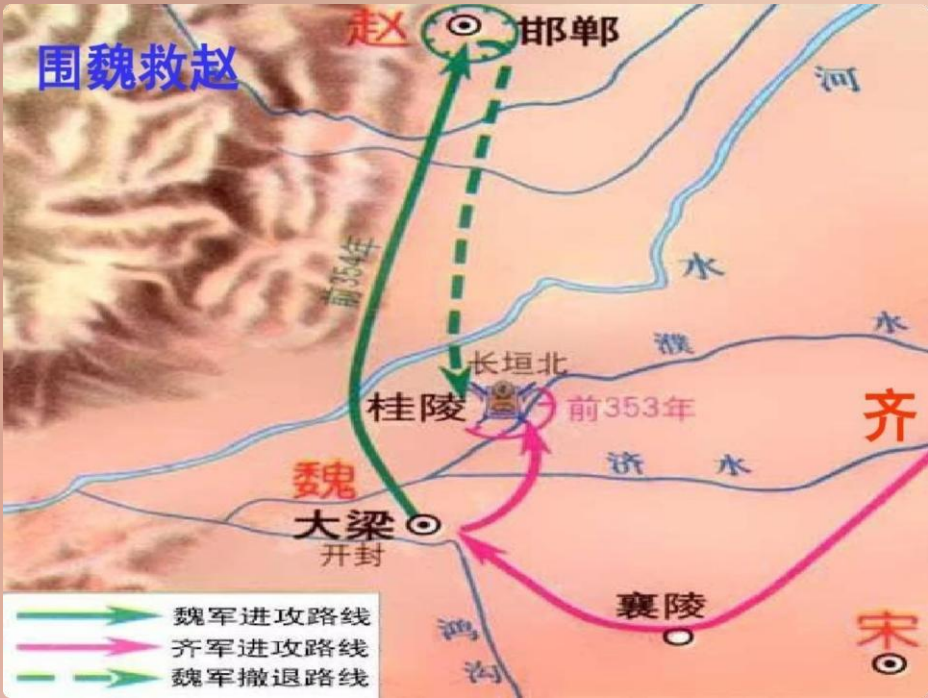
The Strategy: Instead of attacking the strong Wei army directly, the Qi general Sun Bin (a descendant of Sun Tzu) attacked Wei's undefended capital, Daliang.

The Result:

The Wei army rushed back to defend its capital, becoming exhausted in the retreat.

The tired Wei troops were ambushed and defeated by the fresh Qi forces.

This is a classic example of avoiding strength and attacking a critical weakness.





Sun Tzu's Three Key Principles

How to Achieve a Superior Position

Sun Tzu outlined three critical principles for successfully attacking weaknesses while avoiding strengths:

1. Seizing the Initiative

2. Concentrating One's Forces & Dividing the Enemy's

3. Concealing One's Disposition

Principle 1: Seizing the Initiative

Control the Battlefield

Control the Battlefield

Sun Tzu: *"Whoever is the first in the battlefield and awaits the coming of the enemy will be fresh for the fight; whoever is the second... will arrive exhausted".*

The Goal: Impose your will on the enemy; don't let them dictate the terms.

Modern Take:

General Montgomery (WWII): "Make the enemy dance to our tune... Never react to the enemy's moves".

Mao Zedong: Initiative determines an army's freedom. Losing it leads to a passive, vulnerable position.



Principle 2: Concentrating Forces

Create Strength Where It Matters

This principle is about creating conditions to strengthen your forces while weakening the enemy's.

Sun Tzu's Warning: *"If one sends reinforcements everywhere, one will be weak everywhere".*

Strategy:

Concentrate your forces at a single point to create overwhelming strength there.

Trick the enemy into spreading their forces thin, then attack their weakest point.

This allows even a smaller army to defeat a larger one.



Concealing Disposition

📄 **Sun Tzu:** *"In making tactical dispositions, the highest pitch one has to keep is concealing them... One will then be safe from the prying of the subtlest spies".*

Goal: Keep the enemy guessing about your true strategic intentions.

Method 1. Detect Enemy Plans: Know their movements to counter them effectively and attack their weaknesses.

Method 2. Vary Your Tactics: Avoid repeating winning strategies. Constantly change methods to remain unpredictable, making it difficult for the enemy to form a defence.



Michael Porter's Business Strategy

Achieving Sustainable Competitive Advantage

Porter argues a company can only outperform rivals if it establishes a differentiation that can be preserved.

He introduced two key concepts:

- **Operational Effectiveness (OE):** Doing things better than rivals. This leads to hyper-competition as everyone copies best practices.
- **Strategic Positioning (SP):** Occupying a unique position to deliver a unique mix of value. This is the source of long-term advantage.

Sustaining the Advantage

Porter's Conditions: Trade-Offs & Fit

A unique position alone is not enough, as it will attract imitators.

To sustain the advantage, Porter introduces two more concepts:

Trade-offs

Arise because activities can be incompatible, especially with limited resources. You must choose what *not* to do.

Fit

Relies on the synergistic integration and complementarity of all a company's activities. The whole system is hard to copy



Types of Strategic Positioning

Finding Your Unique Place

Porter identified three types of strategic positioning:

1. Variety-Based: Providing a subset of an industry's products or services.

Example: Jiffy Lube specialises only in automotive lubricants for a wide customer base.



Types of Strategic Positioning

2. Needs-Based: Serving most or all the needs of a specific customer segment.

Peloton's needs-based positioning



Types of Strategic Positioning

3. Access-Based: Segmenting customers who are accessible in different ways (e.g., geographically).

Example: Warby Parker's access-based positioning

WARBY PARKER
AT HOME
TRY ON
PROGRAM:

1. CLARK in Scarlet Tortoise
2. BOWEN in Bay Fog
3. CHELSEA in Grapefruit Soda
4. BARNETT in Sharkskin And Pearl Horn
5. CHELSEA in Violet Magnolia

www.MuchMostDarling.com



The Power of Trade-Offs

Making Imitation Costly

Deters Rivals: Competitors who try to copy your position must undermine their own strategies or "straddle" two positions, degrading their overall advantage.

Definition: A trade-off means that putting more resources into one activity leaves fewer for another.

The Lesson: Firms must decide what they *will* do and, more importantly, what they *will not* do. This forces focus on core capabilities.

The Strength of Fit

A System Greater Than Its Parts

- Competitive advantage comes from the *entire system* of activities, not just one part.
- **Fit:** The synergistic integration of an organisation's resources. When activities fit together, they reduce costs or increase differentiation.
- **Why it Works:** Replicating an entire, interconnected system is incredibly difficult, even if rivals can identify the individual parts.

Types of Fit:

01

Consistency:

Activities align with the overall strategy.

02

Reinforcement:

Activities positively impact each other.

03

Optimisation of Effort:

Efficient coordination reduces waste.



The Integration of Sun Tzu & Porter

- Parallels Across Centuries
- Both strategists grapple with the same fundamental question: **How do you build and maintain a superior position over rivals?**

Sun Tzu (Military)	Porter (Business)	Common Goal
Seizing the Initiative	Strategic Positioning	Establish a "first-mover advantage" and avoid costly, direct competition.
Concentration of Forces	Trade-Offs	Emphasise selection and concentration of resources on a core area.
Concealing Disposition	Fit	Prevent imitation by rivals to maintain a favourable position.

Business Case: Southwest Airlines

A Masterclass in Unique Positioning

Background: Started in 1971, Southwest has been consistently profitable for decades, even as other major airlines struggled.

The Question: Many rivals copied Southwest's visible practices, but failed to achieve the same success. Why?





Southwest's Strategy

Positioning, Trade-Offs, and Fit in Action

Strategic Positioning:

Targeted an overlooked segment: low-cost, short-haul, point-to-point travel.

Considered their real competitors to be *automakers*, not other airlines.

Trade-Offs:

Used *only* the Boeing 737 aircraft. This was a deliberate choice to *not* offer variety. This single choice simplified maintenance, pilot training, and inventory, reinforcing their low-cost strategy.

Fit:

All of Southwest's activities were tailored to support its low-cost, high-efficiency position, creating a synergistic and hard-to-copy system.

Conclusion

Timeless Lessons for Modern Strategy

Sun Tzu's Principles:

Seising initiative, concentrating forces, and concealing plans are about creating and exploiting enemy weaknesses.

Porter's Principles:

Strategic positioning, trade-offs, and fit are about establishing a unique and defensible position in the market.

The Connection:

The underlying goal is the same: establish and sustain a superior position that is difficult for rivals to challenge or imitate.

Whether in war or business, understanding these principles is key to achieving a unique, winning position