

Lecture 7 - From Confucian Fiscal Thought to Business: Overcoming Disadvantages

**A Synthesis of Sun Tzu's *The Art of War* and Porter & Kramer's
Creating Shared Value**

Xicheng Liu

X.Liu@uwtsd.ac.uk

Today's Agenda

1

Introduction

The Core Theme of Overcoming Disadvantages.

2

Sun Tzu

Turning the "Devious" (Disadvantage) into the "Straight" (Advantage).

1

Porter & Kramer

Turning Corporate Social Responsibility (CSR) into Creating Shared Value (CSV).

4

Integration

Similarities and Differences between Sun Tzu and Porter.

5

Case Study

Nestlé's CSV Activities in India.

6

Conclusion

Key Takeaways and Implications.



Core Theme: Turning Disadvantage into Advantage

From Ancient Warfare (Sun Tzu):

The idea of "turning the devious (which is a disadvantage) into the straight (an advantage)".

This concept comes from the seventh chapter of *The Art of War*, titled "Jun Zheng" or "Maneuvering".

From Modern Business (Porter & Kramer):

The strategy of "turning Corporate Social Responsibility (CSR) into Creating Shared Value (CSV)".

We will explore the surprising connections between these two seemingly disparate ideas.



Sun Tzu's "Jun Zheng" - The Art of Maneuvering



- The term "Jun Zheng" has been interpreted in several ways by scholars:
- A good modern English translation for "Jun Zheng" is **maneuvering**: the skillful movement of troops to gain advantages for victory. Maneuvering is crucial for seizing the initiative and securing a favourable position.

Scholar

Cao Cao

Wang Xi & Li Quan

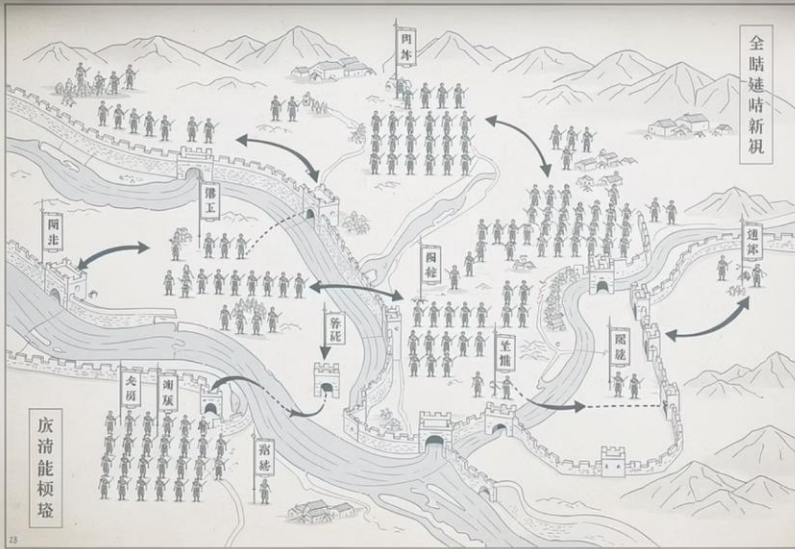
Guo Hua-ruo

Interpretation of "Zheng"

Fighting for victory.

Fighting to gain advantages or benefits.

A middle ground: gaining advantages and achieving victory are closely related.



The Devious Route: Advantages & Disadvantages

Sun Tzu's core idea

Sun Tzu's core idea is that one must manoeuvre by "turning the devious route into the straight" to secure a favourable position.

Common sense

A straight route is the shortest.

Military reality

The "shortest" route is not just about distance. It's influenced by road conditions, troop size, and enemy strength.

"In strategy, the longest way around is often the shortest way home." - B.H. Liddell Hart (1954)

However, there is a danger

Taking a longer, devious route with the entire army and its supplies risks arriving late, and in war, timing is everything.



Sun Tzu's 3 Principles for Successful Maneuvering



1. Deception:

All warfare is based on deception. The goal is to achieve a "shock or surprise factor" by deceiving, confusing, or keeping the enemy ignorant. Deception is the most effective but also the most difficult method.



2. Mobilise for Gain:

An army should only be mobilised when a clear advantage or gain is foreseen. The ultimate objective is to secure the nation's interests through victory.



3. Be Responsive to Change:

An army must be flexible and well-coordinated, able to disperse or concentrate its forces based on the enemy and terrain. This flexibility can help conceal movements and confuse the enemy.



Shifting Gears: From Ancient Warfare to Modern Business

- Now, let's transition from the battlefield to the boardroom and explore how these strategic ideas apply to modern business challenges.

The Problem: Corporate Distrust and Inadequate CSR

In recent times, businesses have faced a growing problem of distrust from society

Past Practices: Companies often ignored environmental and social concerns, leading to a negative reputation despite their contributions to societal wealth.

The Response: Corporate Social Responsibility (CSR) activities were adopted to improve their image.

The Flaw: Traditional CSR has often proven inadequate, ineffective, and unsustainable.



The Solution: Creating Shared Value (CSV)



Porter and Kramer proposed a new strategy: **Creating Shared Value (CSV)**.



Definition: CSV refers to corporate practices that enhance a company's competitiveness while simultaneously advancing the social and economic conditions of the communities where it operates.



Central Premise: The competitiveness of a company and the health of its communities are **mutually dependent** and intertwined.



The Goal: To **capitalise** on the deep connections between societal progress and economic growth, transforming the relationship from a trade-off to a **win-win situation**.



CSV vs. CSR: A Fundamental Difference

CSR is Redistribution

Firms use a portion of their existing profits to address social issues. It's about giving back what's already been made.

Example: Fair trade, where firms pay higher prices to farmers, often at the expense of their own profits.

CSV is Value Creation

Firms create *new* business opportunities by addressing social issues. Society benefits by engaging in these new activities with the firm.

Example: Supporting farmers to improve their techniques and efficiency, which increases their productivity, product quality, and ultimately their income.



CSV is about sharing the production process, not just the profits.

CSV vs. CSR: A Fundamental Difference

Apple Inc. serves **suppliers** by investing in them.

\$5bn Advanced Manufacturing Fund to support innovation in suppliers

\$200ml in glass suppliers Corning

£390ml in Finisar

FINISAR



CSV vs. CSR: A Fundamental Difference

- Apple Inc. serves **environment** by investing in renewable.
 - Renewable energy in office, stores and data centres
 - Its new robot, Daisy, can disassemble nine versions of the iPhone and sort their components for recycling



How to Create Shared Value: Reconceiving Products & Markets



One of Porter and Kramer's key strategies for CSV is **Reconceiving Products and Markets**.



Firms must rethink their products to meet neglected social needs, often in low-income communities (the "bottom of the pyramid").



Example: Nestlé discovered children in less developed regions lacked iodine, so it introduced iodised salt into its products for those markets.



This involves shifting focus from just taste and quantity to maximising nutrition and quality.



The ultimate goal is to incorporate social issues into the core corporate strategy to achieve **long-term profitability and sustainable competitiveness**.

Integrating Sun Tzu & Porter:

Similarities

- Both strategies recognise that the obvious, "straight" path is not always the best.

Aspect	Sun Tzu's Maneuvering	Porter & Kramer's CSV
Fundamental Principle	The "devious" or indirect route can be the most effective and advantageous way to reach a goal.	The "indirect" approach of addressing social issues can be the most effective path to long-term economic value.
Objective	Maneuvering should only be conducted when there is a clear advantage or gain to be won.	CSV is a self-interested act; firms engage only when the benefits of addressing social issues outweigh the costs.



Integrating Sun Tzu & Porter:

The Key Difference

While the objectives are similar, the means of achieving them are fundamentally different.

Sun Tzu's Maneuvering

- **Deception is necessary** to achieve the goal.
- The aim is to misguide the enemy, divert their power, and strike their weak points with a surprise attack.

Porter & Kramer's CSV

- Firms should **NOT deceive society**.
- The goal is to find **genuine connections** between corporate and social benefits through transparency and mutual benefit, not trickery.



The Importance of Alliances and Local Clusters

Sun Tzu

- Stressed the importance of making alliances with neighbours and consulting local guides to take advantage of local terrain and knowledge.
- He also advised knowing the true intentions of allies before forming partnerships.

Porter & Kramer

- Highlighted the importance of developing a local cluster, recognising that no company is self-contained and success requires support from other organisations and institutions.
- They state that open and transparent markets are crucial for building an efficient cluster and securing reliable partners.

CASE STUDY

INDIA

CSV

Case Study: Nestlé's CSV in Moga, India

Let's examine a real-world example of these principles in action.

- Background:** Nestlé began operations in India in 1912. After India's independence, the government required local production, leading Nestlé to establish a factory in Moga in 1961 to help develop the dairy industry.



The Situation in Moga (1962)



The district of Moga was deeply impoverished:



No electricity, proper transportation, or medical care.



Farmers had small, infertile plots of land.



A single cow per household produced barely enough milk for consumption.



Over 50% of calves died as newborns.



No refrigeration or quality control meant milk was often contaminated and spoiled quickly



NESTLÉ'S CSV STRATEGY IN ACTION

Nestlé's CSV Strategy in Action



Nestlé took a comprehensive approach to create shared value:

Infrastructure: Built refrigerated dairy collection centres and established regular milk collection routes.

Expertise: Sent veterinarians, nutritionists, and quality control experts to monitor production and train farmers.

Nestlé's CSV Strategy in Action

Nestlé took a comprehensive approach to create shared value:



Support: Provided medicines, nutritional supplements, quality fodder seeds, and helped farmers procure bank loans.



Investment: With financing and technical assistance, farmers could afford to dig deep wells for irrigation.



The Transformative Impact

For Farmers:

50×

Milk production

increased 50-fold



For Farmers

Milk production increased **50-fold**.
The death rate of calves decreased by **75%**.
Improved irrigation increased crop yields,
raising the overall standard of living.

Steady payments from Nestlé enabled
farmers to obtain credit.

75%

Calf mortality

decreased



For the Community

Moga now has higher living standards, with
electricity, telephones, universal primary
education, and more doctors than
neighbouring regions.

An entire industry cluster of competing dairies
developed.

75,000

Farmers reached

by Nestlé



For Nestlé

The company now buys milk from over **75,000 farmers**, up from just 180 initially.
The increased purchasing power of local
farmers greatly expanded the market for
Nestlé's products.

A Cautionary Note: The Maggi Incident

⚠ Even successful CSV practitioners can face challenges. The Nestlé Maggi noodles recall in India serves as a powerful reminder:

- The company's slow and quiet initial response escalated the crisis, causing stock prices to drop significantly.
- This highlights that in business, unlike in war, **trust, authenticity, and transparency are paramount.** Deception or a lack of transparency can be disastrous.

MAGGI THE NOODLES KING OF INDIA

Not just a product, it's an emotion.

Maggi didn't just sell noodles, it created a category, a habit and a childhood memory for millions.

India's No.1 Noodles Brand

THE STRATEGY BEHIND MAGGI'S SUCCESS

- 1. CATEGORY CREATION**
Maggi entered when instant noodles were not common in India. They created the entire market and became the category leader.
- 2. POWERFUL POSITIONING**
"2-Minute Noodles" was a game-changing positioning that solved a real consumer problem – hunger + time.
- 3. INDIAN TASTE, INDIAN HEART**
Maggi adapted to Indian taste buds with masala, spices and local flavors.
- 4. EMOTIONAL CONNECT**
From moms to kids to hostel students, Maggi became a part of everyday life and emotions.

5. STRONG DISTRIBUTION

Available everywhere – from metros to villages, kirana stores to online apps. Easy availability built strong trust.

6. AFFORDABLE PRICING

Low cost made it accessible to all sections of society – students, families and working professionals.

7. CONSISTENT BRANDING

Iconic yellow pack, catchy jingles and consistent messaging created high recall and strong brand loyalty.

8. INNOVATION & VARIANTS

Introduced new variants like Atta Noodles, Oats Noodles, Fusion and more to stay relevant.

RECOVERED STRONGLY AFTER CRISIS

In 2015, Maggi faced a huge ban and lost consumer trust. But Maggi made a powerful comeback through transparency, quality checks and emotional reconnect.

A true example of crisis management!

MAGGI OWNS THE MOMENTS

Rainy Days	Late Night Hunger	Hostel Life	Quick Snack
Exam Time	Travel	Laziness Cooking	Boredom Buster

TODAY MAGGI IS...

- ♥ A Habit
- 😊 A Comfort Food
- 👶 A Childhood Memory
- 👑 A Market Leader

KEY TAKEAWAY

“ Strong brands don't just sell products. They become a part of people's lives and emotions. ”

LESSONS FOR MARKETERS & MBA STUDENTS

☒ Understand consumer needs deeply	☒ Focus on distribution
☒ Create strong positioning	☒ Innovate and adapt
☒ Build emotional connect	☒ Handle crises with honesty

MAGGI – 2 MINUTES TO COOK, A LIFETIME OF MEMORIES.

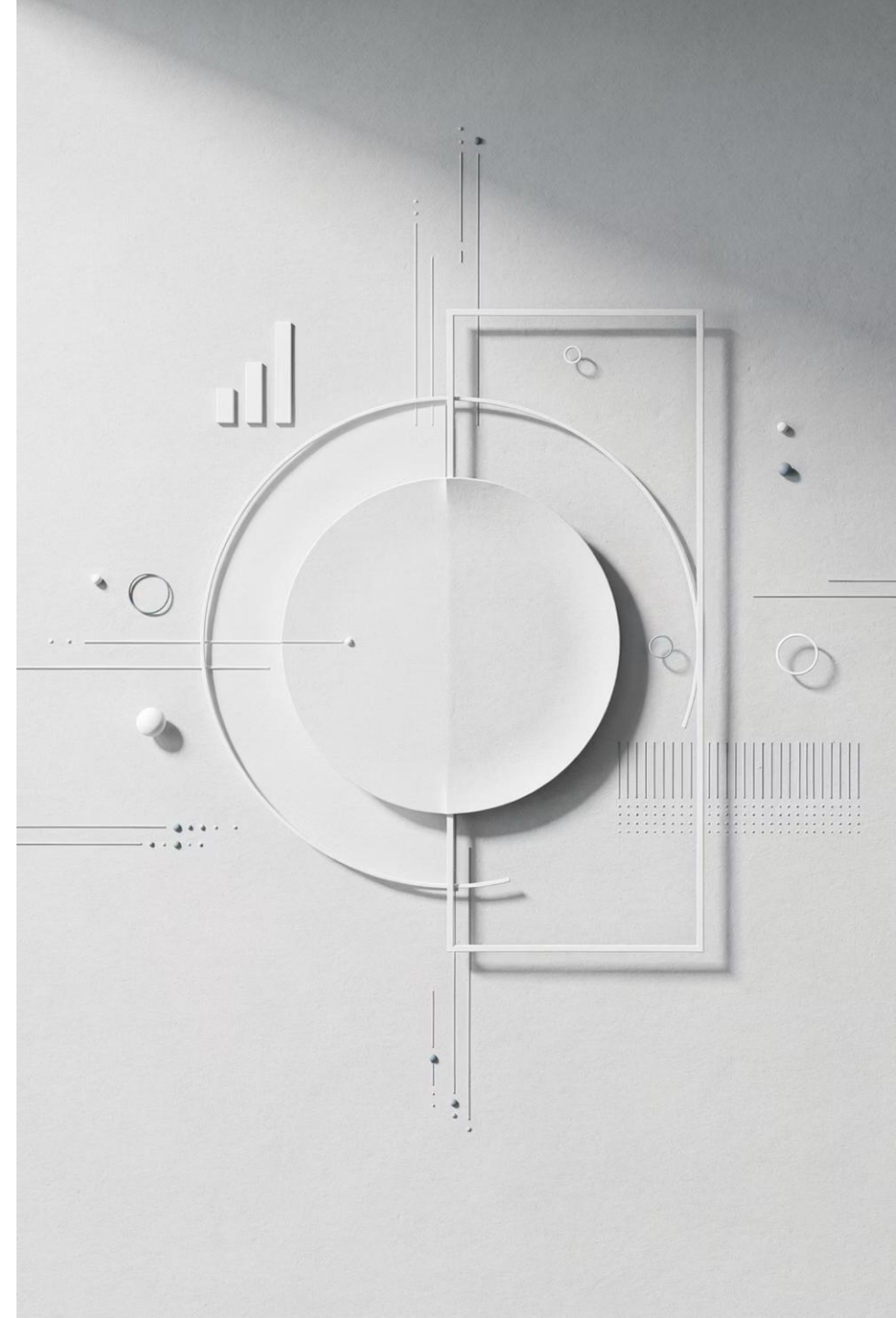
Conclusion: Key Takeaways

Sun Tzu's Manoeuvring:

- A seemingly inefficient or "devious" path can be the most effective way to gain an advantage.
- Success requires deception, acting only when a gain is foreseen, and being responsive to change.

Porter & Kramer's CSV:

- Business and society are in an interdependent, coevolutionary relationship, not a trade-off.
- Firms can generate greater economic value and regain societal trust by actively addressing social needs and challenges.



Final Thoughts: Universal Principles for Success



Both ancient military strategy and modern business theory can be improved by incorporating concepts from each other.



Sun Tzu's insights on unifying forces through **effective communication** can help modern companies build stronger local clusters for CSV initiatives.



The CSV principle of **co-evolution and mutual benefit** can help us better understand the success of military manoeuvres that rely on local support.



Whether manoeuvring an army or a corporation, the ability to **see beyond the obvious, adapt, seek mutual benefit, and communicate effectively** are universal principles for success.