

Sun Tzu's Strategic Thinking and Contemporary Business

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The maxims of a Chinese soldier who lived more than 2,000 years ago can help modern businesses be more successful.

The Chinese expression "*Shang Chang Ru Zhan Chang*" is translated into English as "The marketplace is a battlefield." This is how Asians view success or failure in the business world. From the Asian perspective, the success or failure of a family business directly influences the

survival and well-being of the family. The success or failure of a nation's economy affects the survival and well-being of a nation. Therefore, many Asians treat business competition as life-and-death warfare.

Many Western business people, for example, have observed that the Japanese conduct business as if they were waging a war, using the term "waging business" to describe the intensity of Japanese competitive strategies. Because the marketplace, in the eyes of Asians, is a battlefield, military strategy is held to be very useful in guiding business activities. Many Asian business leaders have attached great importance to the classical Chinese military strategies. Many of the principles behind these strategies are even commonly applied to daily life.

MILITARY STRATEGIES AND BUSINESS COMPETITIONS

In Chinese, the word military strategy consists of two parts: *Bing* ("soldier") and *Fa* ("doctrine"), which together can also be translated to mean "the art of war." The golden era in the development of classical Chinese military strategy was the few hundred years between the beginning of the Spring-Autumn period and the end of

the Warring States period in Chinese history (772-221 B.C.). Many of the classic strategies were written during this period, because it was a time of constant warfare and of the famous "hundred flowers blooming" and "hundred schools debating." Many of the greatest Chinese philosophers—Confucius, Mencius, Lao Tzu, Zhuang Tzu, and Han Fei Tzu—lived during this period. Their philosophies left an indelible imprint on classical Chinese military strategy.

The *Sun Tzu Bing-Fa*, allegedly written by the master Sun Tzu in the fourth century B.C., is the most complete and reputable book of military strategy that has survived to date. It is still difficult to determine the biography of the author, who supposedly was a subject of Kingdom Qi and a contemporary of Confucius. Around 512 B.C., he traveled to Kingdom Wu and was appointed general. In the ensuing 30 years, he won numerous wars and eventually helped Wu achieve a sort of hegemony by replacing the traditional hegemonic Kingdom Jin. It was at this point that he came to be regarded as a genius of military strategy.

As were other philosophical and strategic texts, Sun Tzu's strategies were heavily influenced by Taoist thought, which emphasizes the interrelatedness and relativity of everything in the world. As one quotation of Taoist thought goes:

The Tao gives birth to the one.
One gives birth to two.
Two gives birth to three.
And three gives birth to ten thousand things.
The ten thousand things carry *yin* and embrace *yang*.
By combining these forces, harmony is created.

Tao not only deals with the truth of Oneness, but also the propensity for change of the One-

ness. All things in the world originate at one source; all things are different but also interrelated, changing constantly in accordance with the laws of nature. There is no difference between goodness and evil, ease and difficulty, high and low, long and short. Contrasting motivating factors influencing human behavior, such as love and hate, arise from the same place, as two sides of the same coin. One can turn love into hate and hate into love, as they are not essentially different and depend on the circumstances. The same logic is applied to courage and fear, generosity and miserliness, and extrovert and introvert.

The famous story of Top Horse, Middle Horse, and Weak Horse in the Warring States Period (476-221 B.C.) exemplifies the advantages of the Taoist dialectic. Sun Bin was a master strategist who served General Tian of the Kingdom Qi. General Tian raced horses with the princes of Qi as a hobby, often wagering large sums of money. One day, General Tian came up to Sun for advice on an upcoming horse race, which seemed to be at a draw. As the usual practice went, the contest consisted of three races. The traditional strategy for victory was to pit one's best, middle, and worst horse against the similar horses of his rival. Sun Bin advised General Tian to race his worst horse against his rival's best horse, to pit his best horse against his rival's middle horse, and finally to use his middle horse to compete against his rival's worst horse. General Tian followed Sun's advice; after one loss and two wins, General Tian was declared the final winner of the contest. As a good strategist, Sun Bin saw the larger picture and understood that the goal was to win the contest, not each race.

The story clearly illustrates the Taoist concept of interrelatedness and relativity, according to which there is no absolute good or bad thing in the world. One should always use one's strong points in competing against weak points in others. The story of the Liangxiang computer company shows how ancient strategic thinking has influenced the Chinese in commercial dealings. On the whole, the Liangxiang company's computers are no match for Japanese, American, or even Taiwanese computers. But the company has adopted a strategy of selling its medium-range computer in the bottom-of-the-range international market, because the costs of the medium-range model are still low enough to allow the company to remain competitive in the bottom-of-the-range market.

Certain comparisons can be made between enterprise competitions and military warfare:

- Enterprises and armies strive for a favorable position by defeating their competitors while defending themselves.
- Competitions and wars are confrontational activities.

- Organizations must be well-organized and well-managed.

- Organizations and wars require strategies and tactics.

- The leadership of an army and an enterprise has an important influence on the shaping of success.

- They both need high quality and committed people.

- They both thrive on information.

There does exist a fundamental difference between business and war. The former is an act of construction; the latter an act of destruction. As such, the two are diametrical.

With this in mind, we should be able to expand on those aspects of business that more closely resemble war—business competition and competitiveness. Where business and war overlap, the comparison is sound, the strategies interchangeable.

THE PRINCIPLE OF STRATEGIES

According to the opening statement of Sun Tzu's work, "War is a matter of vital importance to the state; a matter of life and death, the road either to survival or to ruin. Hence, it is imperative that it be thoroughly studied."* This enunciates the importance of one aspect of Sun Tzu's principle of strategies: prudence and the need for good planning. Before a decision to wage war is made, one must engage in detailed planning. This is manifested in many parts of his writings:

With careful and detailed planning, one can win; with careless and less detailed planning, one cannot win. How much less chance of victory has one who does not plan at all! From the way planning is done beforehand, one can predict victory or defeat.

The same is true for business competition, which concerns the survival or death of the company and the fate of shareholders, employees, customers, and the community in which it operates. Therefore, careful strategic planning is very important.

Sun Tzu emphasized first and foremost the importance of avoiding bloody conflicts as much as possible. Therefore, the highest form of victory is to conquer by strategy. To win a battle by fighting is not the best strategy; to conquer the enemy without having to resort to war is the highest, most admirable form of generalship. The next best form of generalship is to conquer the

*All the translations of Sun Tzu's work are quoted from Wu (1990).

enemy with an alliance—by borrowing strengths from one's allies. This is followed by the strategy of conquering the enemy by fighting on open

ground, where one can attack and withdraw easily. The worst form of generalship is to conquer the enemy by besieging walled cities. This is bound to be the most costly of endeavors. As Sun Tzu said, "For this reason, to win a hundred victories in a hundred battles is not the culmination of skills. To subdue the enemy without

fighting is the supreme excellence."

To achieve this goal, one has to grasp the total picture of the situation:

Know your enemy, know yourself, and you can fight a hundred battles with no danger of defeat. When you are ignorant of the enemy but know yourself, your chances of winning and losing are equal. If you don't know both your enemy and yourself, you are bound to perish in all battles. . . . Know the terrain, know the weather, and your victory will be complete.

Sun Tzu further described the necessity of appraising the following seven elements:

- the moral influence of the ruler;
- the ability of the general;
- the conditions of climate and terrain;
- the implementation of laws and rules;
- the comparative strengths of troops;
- the training of officers and soldiers; and
- the use of rewards and punishments.

Moral Influence

By moral influence, Sun Tzu meant the way in which the people are able to be in good accord with their ruler, for whom they are willing to fight through all the pitfalls involved in war. If the ruler is wise, he must first acquire the moral support of his subjects, without which he will not be able to win. To achieve this, the ruler should take care of the interests of his subjects, exercising benevolent rule and treating them as his own family members.

In the context of a war, this moral influence refers to the principle of "fighting as one man" (*tong-xin*). By this Sun Tzu meant that generals and soldiers share the same goals and difficulties. He wrote:

Troops directed by a skillful general are comparable to the Shuai Ran. The Shuai

Ran is a snake found in Mount Heng. Strike at its head, and you will be attacked by its tail; strike at its tail, and you will be attacked by its head; strike at its middle, and you will be attacked by both its head and its tail. . . . The principle of military administration is to achieve a uniform level of courage.

To achieve this goal, Sun Tzu emphasized one important principle: If a general treats his soldiers as his own beloved sons, they will stand by him until death. Many Chinese generals paid attention to this advice. Qi Ji-guang, a general in the Ming Dynasty, once said, "Although soldiers are not very smart, they are most easily moved." Because the majority of soldiers were peasants, they could be easily motivated by a little care from their generals. The famous general Yue Fei of the Song Dynasty, for example, personally prepared medicine for his soldiers.

In an extremely competitive business world, managers should endeavor to formulate a common corporate goal to be shared by all employees, so that all in the company come to view themselves as members of the group crossing the river in the same boat. They would more likely consider company affairs as their own and be willing to make personal sacrifices when needed. Only in this way can a company survive fierce competition and make full use of its competitive advantage. As Sun Tzu said, "He whose ranks are united in purpose will win."

The Ability of Generals

A good general, according to Sun Tzu, should possess five important qualities: wisdom (*zhi*), sincerity (*cheng*), benevolence (*ren*), courage (*yong*), and strictness (*yan*). By wisdom, he meant the ability to observe changing circumstances and act accordingly, and the ability to discern and judge situations. Sincerity concerns the ability to win the complete trust of subordinates. Sun Tzu's benevolence implies deep love for one's soldiers, the ability to sympathize with their problems, and a true concern for their well-being. Courage requires a general to be brave, decisive, and able to gain victory by taking advantage of opportunities without hesitation. Strictness concerns the ability to implement discipline and mete out punishments so troops dare not violate commands or rules.

Having explained the positive qualities of a general, Sun Tzu also listed five common negative qualities that a general should discard to avert disaster:

If reckless, he can be killed; if cowardly, he can be captured; if quick-tempered,

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he can easily be provoked; if sensitive to honor, he can easily be insulted; if overly compassionate to the people, he can easily be harassed.

These desirable and undesirable qualities of generalship can be used to measure corporate leadership. A corporation is similar to an army organizationally. A powerful and efficient leader is indispensable to the success of a corporation. The five positive qualities of Sun Tzu's generalship are those also needed by CEOs, whereas the five negative qualities should be avoided by any CEO. A good CEO can be expected to have a combination of the following qualities:

- Broad knowledge with the capability to identify business trends and opportunities;
- The ability to establish mutual trust between management and employees;
- The capability to delegate power, while knowing how to tolerate subordinates' unavoidable mistakes;
- Benevolence that understands the problems of subordinates and cares about their well-being;
- Moderate amounts of compassion, to avoid easy harassment from trifles;
- The boldness to make risky decisions, while not making hasty or reckless decisions;
- The ability to combine strict discipline, meting out punishment decisively and fairly.

Sun Tzu emphasizes the basic qualities and cultivations of a military leader—his generalship rather than his military and technical background. According to Sun Tzu, "It is the business of a general to be quiet and thus ensure depth in deliberation; and to be impartial and upright, and thus keep good management." These requirements contrast commonly accepted standards on the ability of enterprise leaders in the West, which emphasize specialized and outward abilities in such areas as manufacturing, management, finance, marketing, and creativity. For many Chinese, the technical backgrounds of a candidate can always be improved through training, but the qualities of generalship are not easy to acquire. That is why the Chinese say that "it is easier to acquire a large troop with thousands of soldiers than a good general."

Climate and Terrain

By climate, Sun Tzu meant the changing seasons, weather, temperatures, days, and hours. Although climatic conditions represent an uncontrollable aspect of military situations, a good general knows how to use these uncontrollable components advantageously. A good general would choose the right time to fight and turn bad

weather to the disadvantage of his enemy. The Russian general Kuznetzov, for example, defeated Napoleon's troops with the help of a severe Russian winter. General Zhou Yu of the Chinese Three Kingdoms Period borrowed one night's east wind to burn down his rival Cao Cao's camp. In business, a CEO also has to grapple with climatic conditions, such as the "economic climate" and the "business climate." Among these conditions are:

- Political situations, such as stability, ethnic conflicts, and wars;
- Economic cycles, such as booms, recessions, and stagnation;
- The investment climate, such as government policies, regulations, incentives, the state of technology, the protection of intellectual property, and changes in market structure;
- Other related social and cultural factors, such as changes in demography and consumer attitudes.

To be competitive, a company has to capitalize on the various changes in the economic and business environment and formulate its strategies accordingly. As in military situations, a company must realize that these environmental variables are beyond its control. It can neither command the fluctuations of economic or business environments nor dramatically affect social or cultural norms. A general must know how to fight within the constraints of climatic conditions, and a CEO of a company also has to adapt strategies for environmental constraints. On the other hand, a good

general or CEO knows how to choose the best time and turn these conditions into advantages. An import substitution policy, for example, may hamper market entrance but at the same time provide opportunities for investment, which can result in access to the closed market.

Terrain refers to the area for military operation. It can be classified as accessible (we and the enemy can traverse with equal ease); entangling (easy to reach, but difficult to exit); temporizing (equally disadvantageous for both the enemy and us to enter); precipitous and constricted (advantageous for whichever side occupies it first); or distant. It is the highest responsibility of a general to inquire into these various terrains with the utmost care, because these conditions will determine the chances of life and death in battle.

We should note that the word "terrain" has two dimensions: the geographical features of the battlefield and the chosen ground for fighting.

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The geographical features of the battlefield are largely the uncontrollable variables. Once an

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army is engaged in a battle on specific terrain, it will have to face the consequences incurred as a result of the terrain. Although the terrain is hard to change, a good general can decide where to fight—the battleground most favorable to the army and least favorable to the enemy.

Again, as with climatic conditions, one can make a choice and turn the uncontrollable into controllable.

The same logic is also applicable for the business context, where a company has to deal with such physical and infrastructural variables as the location of its business operation. The variables include:

- the supplies of industrial and raw materials, as well as abundant cheap or high-quality labor;
- infrastructural characteristics, such as transportation systems, telecommunications, and water and power supplies; and
- access to domestic and international markets.

Again, these uncontrollable variables can be made controllable, as one can choose the best location according to one's needs. If, for example, one needs to tap cheap labor, one should move operations to a developing country. The mass migration of Taiwan's sunset industries to mainland China exemplifies this.

In sum, to cope with different climate and terrain, one should understand the general picture. As Sun said, "If one knows the place and time of the coming battle, his troops can march a thousand *li* and fight on the field." Although climate and terrain are for the most part unalterable, one can make a wise choice.

To cope with ever-changing situations, one should maintain a high degree of mobility and flexibility. This is the principle of "coping with change by adapting quickly." For example, the tastes and priorities of consumers change concurrent with economic changes. In an economic downturn, they tend to choose the most price-competitive goods, whereas in an economic boom many may shift their attention to designs and styles. Enterprises should change their competition strategies accordingly. Sun Tzu said:

Of the five elements, none is ever predominant; of the four seasons, none lasts

forever; of the days, some are long and others short; and of the moon, it sometimes waxes and sometimes wanes. Hence, there are neither fixed postures nor constant tactics in warfare. He who can modify his tactics in accordance with the enemy situation and thus succeed in winning may be said to be divine.

Strengths

Strength, for Sun Tzu, is a relative concept. There is no absolute superior strength nor absolute inferior strength. It all depends on how one can arrange it. According to Sun Tzu, "In war, number alone confers no advantage. If one does not advance by force recklessly, is able to concentrate his military power through a correct assessment of the enemy situation, and enjoys full support of his men, that would suffice." This is the principle of concentrating one's strength on the most needed area.

The principle can be applied to business, too. Sheer size may be an advantage for major enterprises, but it can also lead to an unnecessarily large organization and low efficiency. Medium and small enterprises, though restricted by limited resources, can compete with major enterprises if they can take full advantage of talents, maintain high efficiency as well as flexibility, and develop their unique products in a market niche.

For Sun Tzu, a small army may be small in comparison to a large one, but if it knows how to concentrate its small force for various battles, it may look large and eliminate the big armies one by one:

When outnumbering the enemy ten to one, encircle him; when five times his strength, attack him; when double his strength, engage him; when evenly matched, be capable of dividing him; when slightly weaker than the enemy, be capable of defending oneself; when greatly inferior to the enemy, elude him. For no matter how obstinate a small force is, it will succumb to a larger and superior force.

Another way to enhance one's own strength is to resort to deception to confuse the enemy's perception of that strength:

All warfare is based on deception. Therefore, when able to attack, we must pretend to be unable; when employing our forces, we must seem inactive; when we are near, we must make the enemy believe we are far away; when far away, we must make him believe we are near.

An enterprise should also hide its own real strength so its competitors do not know its real situation and direction of development. The enterprise can prepare stealthily and launch an attack where its competitors are unprepared and take action when it is unexpected.

A third method is to use spies. Sun Tzu expressed the following regarding spies:

The reason that the enlightened sovereign and the wise general conquer the enemy whenever they move and their achievements surpass those of ordinary men is that they have foreknowledge. This "foreknowledge" cannot be elicited from spirits, nor from gods, nor by analogy with past events, nor by any deductive calculations. It must be obtained from the men who know the enemy situation.

To be competitive, an enterprise also needs information regarding its competitors, such as the development plan of its new products, operational plans, and financial situations. In this regard, Silicon Valley has learned its lessons; many Asian firms, having benefited from technologies through all possible channels, have become fierce competitors within the shortest possible time.

Sun Tzu also pointed to the importance of borrowing energy from the environment as a way to enlarge one's strength. For him, a skilled commander always uses the situation to the best advantage.

He who takes advantage of the situation in fighting uses his men as rolling logs or rocks. It is the nature of logs and rocks to stay stationary on the flat ground, and to roll forward on a slope. If four-cornered, they stop; if round-shaped, they roll. Thus, the energy of troops skillfully commanded is just like the momentum of round rocks quickly tumbling down from a mountain thousands of feet in height.

The same principle can be applied in a business context, where a company should be able to create a favorable external environment. A trading company, for example, can consolidate its position by securing good relations with suppliers or investing directly in suppliers.

Doctrine and Training

This element stresses the importance of a whole set of regulations and rules, designation of ranks, allocation of responsibilities, and organizational

structure. According to Sun Tzu, "If the army is confused and suspicious, the neighboring states will certainly cause trouble. As a saying goes: 'A confused army predicts victory for the enemy.'"

One important principle of Sun's organizational ideas is to delegate one's subordinates with necessary power. He explains one of the five preconditions for victory: "He whose generals are able and not interfered with by the sovereign will win." This is the principle of "not using the suspectable at all and using the trustworthy with full confidence" (Li and Ma 1991). He advised a

good balance between an authoritarian leader and unorganized decentralization, because either of the extremes is harmful to an organization.

In a highly competitive environment, corporate managers should

have sufficient power to be able to coordinate their strategies and tactics based on the changing environment. CEOs should have confidence in their subordinates and give them enough power to carry out their assignments.

For Sun Tzu, training is very important for ensuring organizational efficiency. If soldiers do not know how to follow signals, they cannot act accordingly. In a business context, companies with well-trained employees can be managed with great efficiency. Successful business organizations all over the world have good on-the-job training programs.

Discipline

According to Sun Tzu, a good army always has stringent discipline, which it can achieve with an efficient reward-and-punishment system. Nevertheless, a good general should know how and when to mete out rewards or punishment. Soldiers must be treated with humanity but kept under control by iron discipline.

If troops are punished before they have grown loyal, they will be disobedient. If not obedient, it is difficult to employ them. But if troops have become loyal, but discipline is not enforced, the general can't employ them either.

In addition, orders should be consistently carried out under strict supervision. Otherwise, troops will still be disobedient. Sun Tzu also advised a proper balance of reward and punishment: "Too frequent rewards indicate the running

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out of ideas; too frequent punishments indicate dire distress."

The combination of strictness and benevolence is the key to guaranteeing loyalty and discipline. This is evidenced by many examples in Chinese history. With tears in his eyes, Premier Kung Ming of the Three Kingdom Period beheaded his most beloved general when the general disobeyed his orders and lost a battle. In another example, after giving the order that soldiers not trample on crops, Cao Cao cut his own hair to show his determination to instill discipline when his own startled horse ran into the crop field.

A company that has an effective disciplinary system will be geared toward higher performance and a better competitive position. When employees are well aware of what they will receive, they will perform accordingly. Strict discipline is a reverse incentive. By introducing the system of "high rewards and severe punishment," the joint venture of Fujian-Hitachi TV Ltd. of China raised productivity. Top management members were not exempted. The chronic problem of late arrival and early departure was rooted out within a short period. Employees became more identified with the company.

Sun Tzu's strategic ideas can contribute to business competitiveness in the following areas. First, Sun Tzu emphasized the importance of moral influence within an organization. A successful manager should be able to mobilize subordinates to work as a team. Second, he stressed the importance of a broadly defined generalship for military leaders as opposed to merely their technical background. In many Asian businesses, a manager's general qualities are often viewed as much more important than technical qualifications. Third, according to Sun Tzu's views on relativism, there is no absolute superiority and inferiority in competition. One must know where one's competitive edge lies, and when, where, and how to engage in competition. □

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