

What Can We Learn from Sun-Tzu's art of War? China's Ancient Military Strategy vs. Modern Business Strategy*

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Abstract

In this paper, I attempted to address the problems inherent in modern business strategy by drawing insights from an unconventional source of strategy paradigm, the oldest and very highly revered book on military strategy, Sun-Tzu's Art of War. The issues I examined are universality of strategy, conflict resolution in a game-like situation, and "real problems" of strategy implementation. I made a systematic comparison of modern business strategy and Sun-Tzu's principles, and identified similarities and differences between the two in the areas of strategy formulation and implementation. From this comparative analysis, I derived a number of implications that are expected to contribute to overcoming the deficiencies of modern business strategy, thereby laying the foundation for developing a concept of strategy that has universal validity.

I . Introduction

The concept of strategy was originally introduced in modern business management to provide firms with a rational means of coping with environmental changes. The pioneering works of Chandler (1962), Ansoff (1965), Andrews (1971) and others contributed greatly to the development of this newly emerging field, known today as strategic management. The environmental turbulence of the 1970s accelerated the need for research in strategic management and gave birth

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to a multiplicity of approaches in the '80s and the '90s, each professing its own merit (Porter, 1980; Rumelt, 1984; Teece, 1985; Prahalad & Hamel, 1990; Baum & Singh, 1994; and Nonaka, 1995).

Despite the avalanche of insightful and penetrating studies on strategic management, the current state of research in strategic management leaves much to be desired. The problems are many; I describe just a few below.

Firstly, a unifying concept of strategy that can integrate the multiplicity of different approaches has yet to appear. This is causing much confusion and disagreement on basic terms, concepts and methodologies, thereby hindering the development of a systematic and universal "law" of strategy.¹⁾

Secondly, due to the fact that strategic management is an evolutionary product of strategic planning, there is a tendency to emphasize only the formal and rational "planning" aspect of strategy. Current environmental changes, however, increasingly call for the new way of looking at strategy as a conceptual framework for resolving conflicts among mutually interdependent parties in a game-like situation (Saloner, 1991).²⁾

Thirdly, the state of art of strategy implementation as a theoretic paradigm is still far behind that of strategy development, despite its importance as an integral part of the strategic management process. Although the number of articles and books dealing with this issue increases, there is much room for further research that can provide a conceptual background and behavioral rules for the "real problem of implement or perish" situations.

This paper addresses the abovementioned issues faced by modern strategic management by drawing insights from the oldest book on military strategy in the

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- 1) One of the common complaints expressed by practitioners is business scholars' imprudent use of business jargon particularly related to strategy, such as vision, mission, objective, target, goal, strategy, tactics, etc. This may be partly due to the nature of strategy itself to accommodate corporate entity to the ever-changing environment, and partly due to the lack of cohesive conceptualization of the subject of strategy.
 - 2) Application of the game-theoretic approach has proliferated in recent years. For the potential usefulness of the approach, see Saloner (1991). Camerer (1991) has also addressed its applicability, although he warned against unconditional use of the approach.

world, Sun-Tzu's *Art of War*.³⁾ This is done by making a systematic comparison of modern strategic management and Sun-Tzu's principles. Although there are fundamental gaps between the two in terms of time (about 2,500 years), place of origin (Orient versus mostly Western countries) and subject matter (military warfare versus business administration), systematic comparison allows us to identify their similarities and differences in the areas of strategy formulation and implementation. From this comparative analysis, a number of implications may be derived. These implications could contribute to overcoming the deficiencies of modern strategic management and thereby lay a foundation for developing a concept of strategy that has some universal validity.

II . General Characteristics of Sun-Tzu's *Art of War*

Art of War, written by Sun-Tzu around 500 B.C., is the oldest military book on strategy in the world. Combining Lao-Tzu's philosophy of mystical naturalism and Confucius' humanism and realism, it presents highly condensed principles of warfare that reflect the distilled wisdom of Oriental tradition. The principles behind the various strategies expounded are all in accordance with the universal laws of nature and the fundamentals of human psychology. Therefore, despite the passage of time and the development of modern weapons, the basic principles still hold their own in today's world.

Art of War is organized into thirteen chapters as shown in Exhibit 1. However, the essence of the book can be condensed into the three following concepts-the Five Constant Factors (五事), the Seven Searching Questions (七計) and the Illusive Method (道) as listed in Exhibit 2.

The Five Constant Factors are the key elements that a commander takes into consideration in assessing the internal strength and capability of the army. The Seven Searching Questions are the criteria for matching internal capability with the external environment. The Illusive Method is the flexible coordination and swift implementation of strategy based on the Five Constant Factors and the

3) As text, I used the original Chinese version of Sun-Tzu identified as 北條氏長 and Man-Sung Nam's Korean translation (Hyunam-sa, Seoul, 1980), as well as Lionel Giles' English version (*The Art of War by Sun-Tzu Wu*. The Military Service Publishing Co., Harrisburg, Pennsylvania 1953).

Exhibit 1. Contents of *The Art of War*

<u>Chapter</u>	<u>Content</u>
1	Laying Plans
2	Waging War
3	Attack by Stratagem
4	Tactical Disposition
5	Use of Energy
6	Weak Points and Strong
7	Maneuvering an Army
8	Variation of Tactics
9	The Army on the March
10	Classification of Terrain
11	The Nine Situations
12	Attack by Fire
13	Use of Spies

Exhibit 2. Three Basic Concepts in *The Art of War*

The Five Constant Factors

1. Heaven (天)
2. Earth (地)
3. Commander (將)
4. Method & Discipline (法)
5. Moral Law (道)

The Seven Searching Questions

1. Which ruler possesses moral influence?
2. Which commander is the more able?
3. Which army obtains the advantages of nature and terrain?
4. In which army are regulations and instructions better carried?
5. Which troops are the stronger?
6. Which army has the better trained officers and men?
7. Which army administers rewards and punishments in a more enlightened manner?

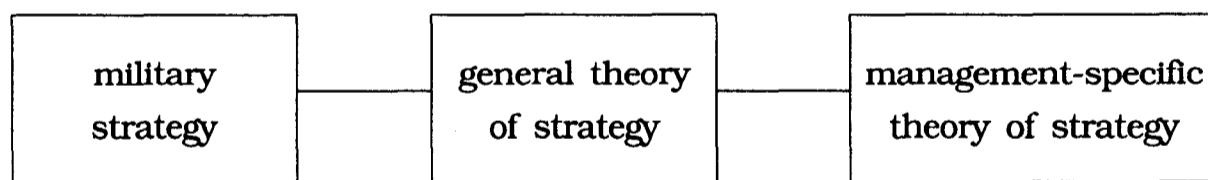
The Illusive Method

The flexible coordination and swift implementation of strategy

Seven Searching Questions.

III. Comparative Analysis of Modern Strategic Management and Sun-Tzu's Art of War

Art of War was written in antiquity for military warfare, while modern business strategy was conceived for today's business administration; therefore, a huge disparity in time and subject matter must be overcome in order to make a meaningful comparison of the two. This was accomplished in this paper by interpreting the military content of *Art of War* in terms of a general theory of strategy, which in turn was applied to the business context to derive a management-specific theory of strategy. (This is quite similar to the application process of systems theory which, originally conceived by Ludvig Von Bertalanffy in the field of biology, was first generalized and then applied to the business context to derive the now-famous systems approach to management.) In short, *Art of War* has been interpreted in the following sequence to make a meaningful comparison with modern strategic management.



1. Strategy Formulation

In modern times, proponents of strategic management such as Andrews (1971) have suggested a paradigm whereby strategy is formulated by matching the opportunities or threats provided by the external environment with the internal resources and capabilities of the firm, taking into consideration the value systems both within and without the firm in the forms of corporate philosophy and social responsibility, respectively. The criteria for choosing a strategy usually lie in maximizing its benefit relative to its cost.

The above process is strikingly similar to Sun-Tzu's strategy formulation

process. Sun-Tzu describes the matching process in this famous passage: "If you know the enemy and know yourself, your victory will not stand in doubt; if you know Heaven and Earth, it is possible that you make your victory complete." Here, Sun-Tzu emphasizes the competitive nature of strategy by strictly differentiating the direct competitor (enemy: 彼) with the general environment (Heaven: 天; and Earth: 地).⁴⁾ and placing primary importance on competitor analysis. (In this context, the term Heaven is roughly equivalent to the concept of social responsibility of today's management.)

On the other hand, Sun-Tzu downplays the importance of corporate philosophy by combining it with internal resources and capabilities in a concept termed oneself (己). Figure 1 compares the components of strategy espoused by Sun-Tzu and Andrews.

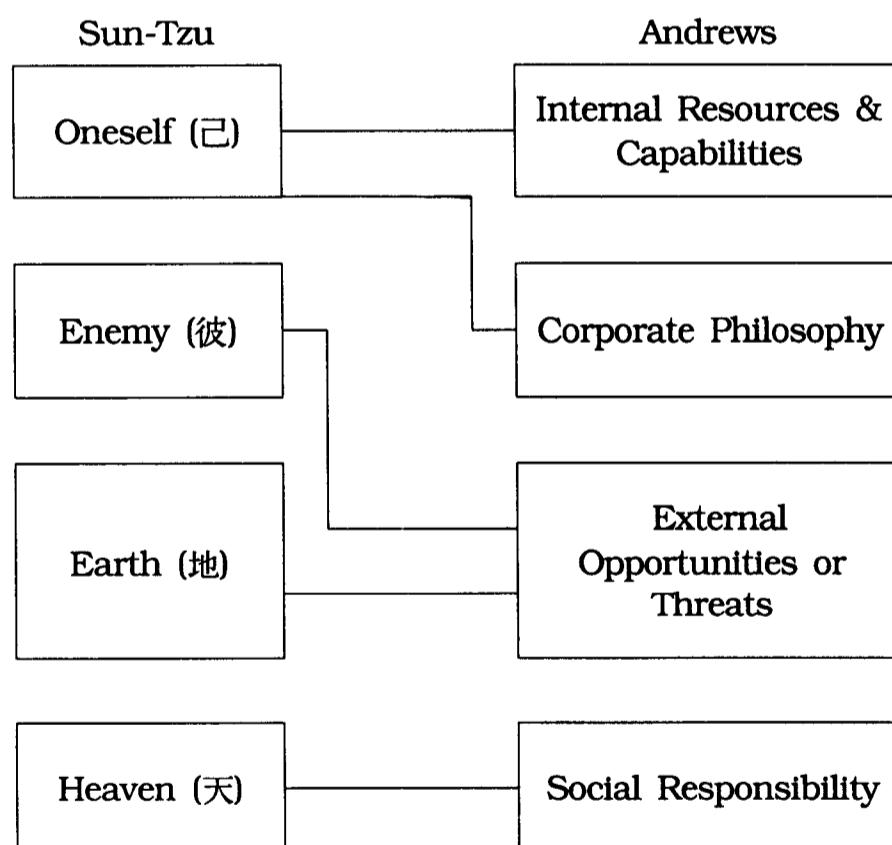


Figure 1. Comparison of the Components of Strategy of Sun-Tzu and Andrews

4) See Porter (1980) for his emphasis on competitor analysis as a foundation for developing corporate strategy.

Whereas Andrews' (1971) external environment is considered as a mere amalgamation of opportunities and threats, and the importance of competitor analysis is much neglected, Sun-Tzu's way of looking at strategy as a means of resolving conflicts between mutually interdependent parties in a game-like situation has much to offer to modern strategic management. Indeed, Sun-Tzu's emphasis on the competitor has been echoed by Porter (1980) twenty-five centuries later.

Another basic idea of Sun-Tzu that accords with modern strategic management is the systematic cost-benefit analysis of the situation before making an engagement. When Sun-Tzu says, "Supreme excellence consists in breading the enemy's resistance without fighting: to fight and conquer in a hundred battles is second best. Thus, the highest form of generalship is to balk the enemy's plan. To attack the enemy in the field is a lower form of generalship," he is emphasizing the need to consider the benefit relative to the cost in formulating a strategy (another striking similarity to the modern way of thinking that prevails today under the name of systems approach).

2. The Components of Strategy

The components of strategy are the basic factors that make up the content of a strategy. Opinions differ on what should be included, but in this context the following four basic factors are considered.

External Environment

The external environment usually refers to those factors that provide the firm with opportunities or threats. Therefore, it includes all aspects of the environment, such as the economic, social, political, technological, cultural, and ecological aspects.

A cursory look at Art of War could make one believe that Sun-Tzu limits the external environment to only two natural phenomena-Heaven which "signifies night and day, cold and heat, times and seasons" and Earth which "comprises distances, great and small; danger and security; open ground and narrow passes; the chances of life and death." However, a deeper investigation into Sun-Tzu's principles reveals the breadth and comprehensiveness of his concept of the external environment. For example, in his chapter on terrain, Sun-Tzu expounds

his famous Uses of Terrain (九地用兵法)-a variety of strategies that can be applied to each of the nine specific environmental conditions (explained in Exhibit 3)-that has much implication for today's managers in coping with different environmental conditions.

Internal Strength

Internal strength is the ability to use the opportunities provided by the environment to achieve organizational goals, and includes anything that a company can do particularly well, such as financial, technological, and marketing abilities accumulated through time, human resources, management skills and remuneration systems.

Sun-Tzu lists the Commander (將) and Method and Discipline (法) as the two components of internal strength; the Commander stands for the virtues of wisdom, sincerity, benevolence, courage and strictness, while Method and Discipline consists of the marshaling of the army (曲制), the gradations of rank among the officers (官道) and the control of military expenditure (主用). In this context, marshalling means the proper leading, training and supervision of the army; gradations of rank stand for organization, responsibility, authority and order; and control is the adequate preparation of finance and supplies. This very much corresponds to modern management's concept of structure and process as the administrative tools for implementing strategy.

Competitive Advantage

Competitive advantage is the superiority achieved over the competitor by taking a specific strategy. In strategic management, competitive advantage is often attributed to a specific department of the organization. For example, Tills (1978) estimates competitive advantage by examining the position of departments in the organization and the amount of budget allocated for competition.

To Sun-Tzu, the starting point of strategy is knowing the opponent. Therefore, obtaining accurate information is imperative, and Sun-Tzu devotes the last chapter of his book to this aspect of strategy by describing in detail 32 ways of grasping the enemy's movements. The information gathered on the Five Factors are then filtered through the Seven Searching Questions to finally arrive at a position of competitive advantage relative to the opponent. This emphasis on

Exhibit 3. Uses of Terrain(九地用兵法)

Types of Terrain Characteristics	1 Dispersive ground	2 Facile ground	3 Contentious ground	4 Open ground	5 Intersecting highway
Definition	Ground whereon a commander is fighting in his own territory	Ground whereon the commander has penetrated into hostile territory, but to no great distance	Ground, the possession of which imports great advantage to either side	Ground on which each side has liberty of movement	Ground which forms the key to 3 contiguous states
Characteristics	Since it is near home, the soldiers are lax and many of them will escape.	Soldiers, afraid of a long campaign, will desert.	He who occupies it will have strategic advantage.	It is easy for both sides to attack each other.	He who occupies it first will have the whole empire at his command.
Strategy	fight not	halt not	attack not	do not block the enemy's way	join hands with your allies
	monopoly	entry into a new industry	- support of the opinion leader -a new product with large industrial-line effect	-product with easy technical innovation possibilities -big demand market	oil-refining industry

6 Serious ground	7 Difficult ground	8 Hemmed-in ground	9 Desperate ground
Ground where an army has penetrated into the heart of hostile country	Rugged, mountainous or marshy ground	Ground, which is reached through narrow gorges and from which retirement is possible by tortuous paths only	Ground on which we can only be saved from destruction by fighting without delay
It is hard to go back and the soldiers cannot run away.	It is hard to traverse and disease will inflict the men.	A small number of the enemy would suffice to crush a large body of our men.	Our men will die unless quick action is taken.
gather in plunder	pass quickly	resort to strategem	fight til death
foreign direct investment	-protest from consumer agencies -patent litigation	position of Korean firms in heavy & chemical industries	just before bankruptcy

information as a key to competitive advantage still has much validity in today's management and attests to the enduring nature of Sun-Tzu's strategic principles.

Synergy and Moral Law

Synergy is usually referred to as a positive general upward effect that occurs when pursuing a growth strategy.⁵ It is an outcome of a proper allocation of resources which usually more than doubles the effectiveness of a strategy. However, most of the existing literature discusses only the physical and functional aspects of synergy, neglecting the equally important social, political and psychological aspects.

In *Art of War* the equivalent of the concept of synergy is what Sun-Tzu calls Moral Law-a force that brings about spiritual unity between the leader and the common soldiers. As Sun-Tzu says, "the Moral Law causes the people to be in complete accord with their ruler, so that they will follow him regardless of their lives, undismayed by any danger." In a strategic situation, the synergistic power produced from this kind of unity can be tremendous; and in times, its effect can be much more important than the effect produced by physical or functional synergy. This psycho-social aspect of the Moral Law, when combined with the physical and functional aspect of synergy, may offer modern strategic management some new insights into maximizing the synergistic effect of a strategy.

3. Strategy Implementation

Strategy implementation is just as important as strategy formulation in the strategic management process. Unfortunately, in strategic management literature, there is no explicit description of the method of implementing a strategy. A brief mentioning is made only of the importance of management structure, process and behavioral patterns in the actual implementation of strategy.

Sun-Tzu divides the strategy implementation process into three distinct stages: Signal (形) is the formation stage right before a strategy is put into effect; Rush (勢) is the stage in which the accumulated strength is released externally; and the Illusive Method (道) is the stage in which victory is achieved by illusive means after hiding one's intent against the enemy. In this section, a comparison

is made between modern strategic management and *Art of War* on the two crucial factors of strategy implementation-the strategy manager and the basic principles of strategic behavior.

The Strategy Manager

Both Sun-Tzu and the advocates of modern strategic management are of the same opinion about the essential role of the strategy manager in the successful implementation of strategy. Andrews (1971), for example, presents a list of abilities, personality traits, and the leadership style needed to be a good strategy manager. Sun-Tzu, in turn, enumerates the virtues of wisdom, sincerity, benevolence, courage and strictness for a good commander. Moreover, in his chapter on terrain, Sun-Tzu cautions against the six calamities that arise from the commander's mistakes in implementing a strategy, and in the chapter "Nine Variations," he cautions against the five shortcomings of the commander that may lead him to danger. Despite some differences in leadership style that inevitably reflects the differences in outlook between the East and the West, and between the ancient and the modern, the basic qualities of the commander expounded by Sun-Tzu seem to have remained unchanged.

Basic Principles of Strategic Behavior

The basic principles of strategic behavior are those behavioral rules that provide a frame of reference for implementing a given strategy. Since a strategy, once formulated, should be constantly revised in order to adjust to the changing circumstances, the importance of having some basic principles of strategic behavior, that can guide the strategy implementation process, cannot be denied. The works of Newman (1950), Schelling (1977), Tills (1978), and Lim (1978) were attempts at laying down some basic principles of strategic behavior, but they all seem to lack comprehensiveness and universal validity. In this context, Sun-Tzu has much to offer.

Sun-Tzu constructed many principles of strategic behavior in the form of aphorisms. Military theorists of later ages have arranged them into six principles of actions that are listed below.

1) Principle of target - this is the principle of avoiding the strong spot and attacking the weak. As Sun-Tzu says, "Military tactics are like unto water, for water in its natural course runs away from high places and hastens downward,

so in war, the way is to avoid what is strong and strike what is weak."

2) Principle of focus - this is the principle of dividing the enemy and concentrating one's forces. As Sun-Tzu says, "By discovering the enemy's dispositions and remaining invisible ourselves, we can keep our forces concentrated while the enemy must be divided."

3) Principle of initiative - this is the principle of taking the initiative by capturing a leadership position. As Sun-Tzu says, "Therefore, the clever combatant imposes his will on the enemy, but does not allow the enemy's will to be imposed on him."

4) Principle of attack and defense - this is the principle of proper balance between attack and defense. As Sun-Tzu says, "Defend when you cannot win, and attack when you can win."

5) Principle of flexibility - this is the principle of adjusting strategy to changing situations. As Sun-Tzu says, "Just as the water retains no constant shape, so in warfare there is no constant method. He who can modify his strategy in relation to his foe and thereby succeed in winning may be called a heaven-born captain."

6) Principle of sudden attack - this is the principle of attacking where and when least expected.

Although it may be presumptuous to assume that these principles possess the universal validity to be designated as universal laws, it is without doubt that they provide some valuable guidelines in implementing a strategy under any conceivable situation.

IV . Conclusion

In this paper, I made a systematic comparison of modern strategic management and Sun-Tzu's Art of War, and identified similarities and differences between the two. A summary of the comparisons is presented in Exhibit 4. From this comparative analysis, the following implications can be drawn.

Firstly, modern strategic management, having evolved from strategic planning, is primarily planning-oriented, and has yet to develop a comprehensive theory of strategy implementation. Sun-Tzu, on the other hand, places equal emphasis on strategy formulation and strategy implementation by taking into account the organic relationship between the two. Therefore, Sun-Tzu's timelessly

Exhibit 4. A Summary Comparison of Modern Strategic Management and Sun-Tzu's Art of War

	Modern Strategy Management	Sun-Tzu's Art of War
System	As a continuation of strategic planning, more emphasis is placed on strategy formulation than on implementation.	<ul style="list-style-type: none"> - Organic relationship between strategy formulation and implementation - Emphasis is on practical principles.
Characteristics	analytic, conceptual, partial	practical, comprehensive
Theorization	Introductory stage. It is being systematized.	Based on principles, it has already been theorized by military analysts.
Background	modern, Occidental	ancient, Oriental
Attention to relativity of strategy	low	high
Nature of strategy	<ul style="list-style-type: none"> - Adaptation to environment - Comparison of alternative strategies - Problem-solving 	<ul style="list-style-type: none"> - Victory - Interrelation among components of strategy - Comparative strength compared to the opponent
Focus of strategy	Decision-making for problem-solving	Behavioral strategy for victory in competition

venerable principles, especially those in the area of strategy implementation, can provide us with inspiration toward eliminating the deficiencies of strategic management and eventually developing a more comprehensive theory of strategy.

Secondly, modern strategic management's approach to the strategic problem of the business firm is mostly rational and analytic. As a result, it often covers only specific areas of a strategic situation, neglecting those areas that are not conducive to rational analysis. On the other hand, Sun-Tzu's approach is quite different in that he views the strategic situation as a clash of wills between two opposing parties that results in political and psychological conflict. This holistic way of conceiving a strategic situation has much insight to offer to the more narrow and limited perspective of modern strategic management.

Thirdly, Sun-Tzu's principles are much more competition-oriented and bargaining-oriented than those of modern strategic management. This is so because *Art of War*, originally written for military warfare, presupposes a condition that resembles a two-person zero-sum game, where one party wins at the expense of the other party. The recent changes of the economic environment, characterized by low growth, resource shortage, and rising protectionism, are increasingly making competition among business firms more intense. In this context, the game-theoretic perspective of Sun-Tzu may have some useful implications to business firms in coping with their strategic problems.

Art of War contains a set of principles on military strategy unmatched in its profundity and practicality. However, these principles cannot by themselves constitute management principles because they were not specifically written for the management situation. Their ultimate value, therefore, lies in their potential to help rectify the deficiencies of modern strategic management by providing some valuable insights into the basic nature of strategy.

At the same time, one must understand that there are areas in modern strategic management that Sun-Tzu does not cover. For example, one of the requirement for today's top management is the ability to formulate and articulate a firm's vision. Sun-Tzu deals with wars to be waged against known enemies; *Art of War* is not adept in identifying the vision that requires drawing a picture of a war well in advance of any known boundaries and competitors. Moreover,

Sun-Tzu does not seem to be able to fill the gap created by consumers and their needs.

This paper has dealt only with one of the many theories of strategy developed by mankind. It is hoped that future research to build a coherent theory of strategy can be conducted by integrating the disciplines of military science and management of both the East and West, and the ancient and modern.

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