

The Art of Strategy

When it comes to strategy, how should we define victory? For centuries, Eastern and Western thinkers have grappled with this question, offering different answers. What can we learn from this difference? In *The Art of Strategy*, Moon provides a novel and systematic integration of the two dominant frameworks of the East and West: Sun Tzu's military strategy and Michael Porter's business strategy. This unlikely combination of thinking suggests an innovative extension of our understanding and practice of strategy, which will appeal to scholars, students, practitioners, and general readers with an interest in strategy. By aligning the perspectives of these two great thinkers, Moon argues that true winning is about maximizing and optimizing overall value for all engaged stakeholders, and this requires a more efficient approach to strategy.

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Sun Tzu, Michael Porter, and Beyond

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Preface

Sun Tzu and Michael Porter are the most frequently cited strategists in their respective fields of military and business, and their strategic philosophies have been widely applied to other areas beyond military and business. While no one disputes the authority of these two strategists, few understand how they are truly differentiated from other leaders in their own fields. It is interesting to note that despite coming from two different times and having seemingly disparate areas of focus, these two strategists share commonalities along four traits: wide perspective, insightful thoughts, systematic analysis, and easy presentation (or WISE – the initials of the four).

HOW IS SUN TZU DIFFERENT?

Wide Perspective Many leading military strategists such as Carl von Clausewitz (a famous German military strategist in the 1800s) have emphasized the military strategy for victory during a war. In contrast, Sun Tzu's philosophy encompassed military strategies "before, during, and after a war." His primary goal as a military leader was to avoid unnecessary conflicts as he understood that the ultimate goal is not simply a victorious battle but a profitable result after the battle is won. This led Liddell Hart, a British military philosopher, to praise Sun Tzu's strategy as the "grand strategy." No other military strategist or philosopher has employed such a comprehensive perspective on war.

Insightful Thoughts While other military strategists, including Clausewitz, stressed big battles as the way to win, Sun Tzu advocated small battles as a way to minimize the costs of war. Hence, Sun Tzu's ideas are more about the most efficient victory rather than just defeating the enemy. According to Sun Tzu, therefore, supreme

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excellence in warfare is to win without fighting; if fighting is inevitable, one has to search for ways to fight with minimum costs, in an effort to avoid casualties and the loss of other resources. This distinctive thought of Sun Tzu is highly praised by later scholars as a “complete victory.”

Systematic Analysis The value of social science (natural science as well) is its ability to explain seemingly complicated real-world issues in a simple and systematic way. Sun Tzu’s approach serves this purpose very well. For example, he analyzed an infinite number of possible ways to victory through the combination of two military strategies – *Cheng* (normal) and *Chi* (abnormal). Another example is that he showed how to analyze the competitiveness of oneself and one’s enemy with five criteria, which include both internal and external factors. Some of his other models include six or nine variables, but all of his analytical models are systematically constructed.

Easy Presentation Despite the depth of Sun Tzu’s systematic military models, they are intuitive and easy to understand. A key differentiator of Sun Tzu is his ability to simplify situations. He noted that one could create an infinite number of colors in the world through various combinations of the five basic colors of red, blue, yellow, black, and white. Similarly, Sun Tzu stressed five virtues that a competent general should have and five dangers that a general should avoid. As such, a general’s strengths and weaknesses can be easily analyzed through Sun Tzu’s model. Many of Sun Tzu’s philosophies in *The Art of War* are easily applicable to our everyday lives today.

HOW IS MICHAEL PORTER DIFFERENT?

Wide Perspective Porter’s strategic perspective is not only at the firm level but also at the industry, regional, country, society, and environmental levels. For each level, Porter provides a comprehensive perspective that is distinguished from other scholars. Other scholars’ theories are generally only a subset of Porter’s models – for example, the resource-based view in evaluating a firm’s competitive advantage

only highlights rare and inimitable resources, which is part of Porter's theory of the differentiation advantage. In contrast, Porter suggested a broader perspective in analyzing the sources of competitive advantage – differentiation and cost. He then further categorized them into a broad and narrow scope, comprised of four types of generic strategies, which allow firms to achieve superior performance relative to their competitors.

Insightful Thoughts Porter stated that there are two types of organization in the world – one (i.e., the firm) for creating values and the other (i.e., the government and nonprofit organizations) for distributing values. He further claimed that the ultimate goal of a firm is not to defeat its competitors but to create value for the stakeholders, including society. Porter then explained that there could be multiple winners in the same industry, if firms chose an appropriate and/or unique positioning. This Porterian insight shows that business is more about constructive (or positive-sum) rather than destructive (or zero-sum) competition.

Systematic Analysis Although Porter deals with a wide scope of issues, his analyses are well captured in simplified, systematic frameworks comprised of well-organized analytical tools. For example, Porter's analytical models include the generic strategy for the firm, the five forces model for the industry, the diamond model for the nation, and the model of creating shared value for the society and environment. Relative to Porter, other business scholars and strategists often make vague and disorganized arguments, such as the need to develop state-of-the-art technologies or flexibly adapt to the changing business environment.

Easy Presentation Porter's strategy models are easy to understand and applicable to various fields. While Porter's models are often criticized for lacking "sophistication," his models, although seemingly simple on the surface, are more in-depth, powerful, and practical than other complex theories. For example, while his generic strategy model looks

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simple, it shows several alternative ways for firms to be successful with the right positioning in the market. In contrast, other seemingly sophisticated economic models often explain the strategic choice mainly based on the cost criterion. Porter's strategy is a masterpiece of simplicity and easiness.

INTEGRATION AND BEYOND

Collaboration and integration have been rare between Eastern and Western strategies. Military and business as academic disciplines or practical fields are also far apart. Thus, the gap between Eastern military thinking and Western business thinking is very large. However, if these distant fields can be effectively integrated, we may be able to derive many useful implications. As Sun Tzu and Porter are the two most distinguished thinkers of the East and West, the purpose of this book is to learn from Sun Tzu and Porter, to integrate their philosophies, and to derive implications that go beyond each of their philosophies.

Although Sun Tzu and Porter are from different times and have different areas of expertise, the fundamental principles of strategy are the same for all areas and all times – only their applications need to be modified to specific situations. The good news is that once you thoroughly understand the fundamental principles of great lessons, you can easily be flexible with applying these principles to the real world. I hope that scholars and policy makers as well as military and business strategists will learn the important principles of strategy from Sun Tzu and Porter, build on the strengths of these two great minds, and acquire the wisdom of strategic thinking.

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