

Introduction

I WHY SUN TZU'S THE ART OF WAR?

This book aims to open up one of the treasures from antiquity: Sun Tzu's military guideline, *The Art of War*, which, despite being written 2,500 years ago, is still one of the most respected military strategy books in the world. It has influenced many Eastern and Western strategists not only in ancient times, but also in contemporary times. Mao Zedong and Ho Chi Minh are just two examples of modern Eastern leaders who were influenced by Sun Tzu's military philosophy. The icon of Western military history, Bonaparte Napoleon, was also a pupil of Sun Tzu (McCready, 2003; Rarick, 2009). Today, military strategists around the world continue to use Sun Tzu's philosophies in warfare and *The Art of War* remains a staple in military education (Wee, 1994).

Sun Tzu's fandom includes more than just military leaders, as his wisdom proved to be applicable to many fields outside the military (O'Dowd and Waldron, 1991; Wee, Lee, and Hidajat, 1991). Many global CEOs and managers have particularly found this ancient Chinese military book helpful in managing their businesses (Wee et al., 1991). The Chinese government has also begun to promote China's ancient cultural icons, including Sun Tzu's *The Art of War*, to enhance the appeal of Chinese culture to the global audience (Economist, 2011b).

So what is the appeal of Sun Tzu's *The Art of War*? How did this book get into the hands of today's global executives and what accounts for its sustained popularity over two and a half millennia across different cultures and fields? Comparing Sun Tzu's military strategy to Michael Porter's business strategy will shed insight to these

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questions. Despite the generational gap and differences in culture and expertise, Sun Tzu and Porter have much in common in how they design a path toward victory in their respective fields. In the following sections, I will discuss why Sun Tzu's military strategies are applicable to business more so than others' and why I chose Porter's business theories for comparison.

2 THE FEATURES OF THE ART OF WAR

The Art of War is composed of thirteen chapters and only around 6,000 Chinese characters. Despite the short length, many readers, particularly Western researchers who are not familiar with Chinese characters and Asian cultural background, often find the text difficult to understand. Simply translating Sun Tzu's strategies word for word does not do the book justice as there are usually hidden meanings between the lines. It is necessary to capture all of Sun Tzu's subtleties to fully understand Sun Tzu's philosophies, which is rooted in the principle of *Daoism* (Yuen, 2008). Westerners, however, often find it difficult to understand Daoism because of its use of paradox.

Each of the thirteen chapters discusses different aspects of warfare in a logical order (Lee et al., 1998). The first half of Sun Tzu's book (chapters one through six) primarily discusses the strategy (or theory) of warfare, while the latter seven chapters review specific military tactics for operations (or practice) (Kim, 1999). On the other hand, the first two chapters focus on the preparations before going to war, while the rest of the book illustrates the operations for solving challenges during and after warfare (see Figure I.1).

Among many military strategies and tactics that Sun Tzu introduced in his book, I have summarized the core military thoughts below. First, despite the title, the primary message of *The Art of War* is to avoid war if possible. As previously stated, Sun Tzu's military thoughts throughout his book are rooted in the philosophy of *Daoism*, which stresses that harmony is the most

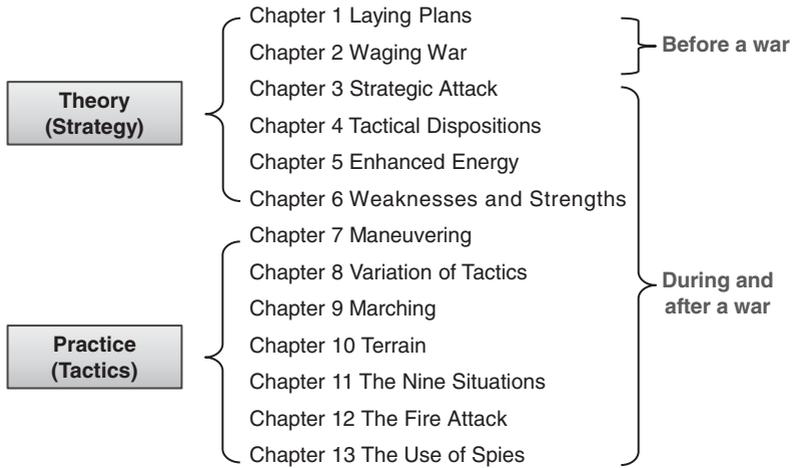


FIGURE I.I The overall structure of *The Art of War*

important goal for human activity (Sun, 1995). In order to achieve harmony, Sun Tzu’s military strategies tend to avoid unnecessary conflicts. While Sun Tzu did not suggest that one runs away from conflict, he recommended that one avoids reckless warfare if there is a scarce chance of winning. Thus, Sun Tzu stated in the beginning of his book, “Warfare is a great concern of a nation as it is a matter of life and death, a road either to safety or to ruin. Hence it demands thorough comprehension and investigation.” This statement suggests that warfare should be used as a last resort.

Second, Sun Tzu preferred the most efficient, low-cost approach when conflict is unavoidable. Sun Tzu said that attaining one hundred victories in one hundred battles is not the best; winning without fighting or with minimum cost is the best strategy. Therefore, according to Sun Tzu, the best form of attack is an attack on the enemy’s plans, followed by their alliances, and their armies. The worst kind of attack is one on the enemy’s fortified castle. However, as Sun Tzu also recognized that noncombat victory is often impossible to achieve, he introduced various

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military strategies on how to fight effectively in the battlefield. All of these strategies require one precondition, which is “deception.”

The third characteristic emphasized in Sun Tzu's book is thus deception. In the first chapter of *The Art of War*, Sun Tzu stated, “All warfare is a game of deception.” Deception is to distort the enemy's perception. A strategist who is proficient in the art of deception can create illusions to confuse, blind, or falsely convince the enemy of the ongoing situation. By commanding such illusive tactics, one can conceal one's real intentions or military dispositions, hence, depriving the enemy of decision-making capabilities on when to attack and defend, as well as forcing them to make wrong decisions. By utilizing deception, one can turn even a disadvantageous situation into an advantageous one. However, deception can be employed only after a thorough investigation of the enemy's strengths, weaknesses, and real intentions. The importance of knowing the enemy is frequently discussed throughout the thirteen chapters of his book. Sun Tzu stated, “If one knows the enemy and oneself, one will not be in danger in a hundred battles.”

Last but not least, Sun Tzu taught us that the ultimate objective of war is not to simply win, but to win with profit. Sun Tzu suggested the following principles of going to war: do not move unless there is an advantage; do not use troops unless there is a gain; do not fight unless there is a danger. These general principles highlight Sun Tzu's emphasis on profitable victory. Sun Tzu paid particular attention to the aftermath of war. Even if one wins a war, if one cannot consolidate one's accomplishments, it will be very costly to maintain the victory. Therefore, winning a war is not the final goal for an army, but consolidating and profiting from the victory is more important.

3 APPLICATION OF SUN TZU'S STRATEGY TO BUSINESS

Despite their differences, business competition and warfare are often compared to each other. Figure I.2 illustrates the differences. The vertical axis (*y*-axis) represents the net effects on society and the

3 APPLICATION OF SUN TZU'S STRATEGY TO BUSINESS 5

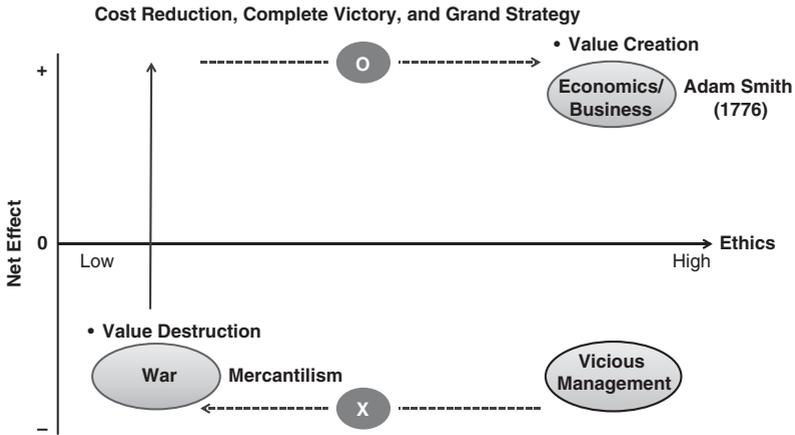


FIGURE I.2 Comparison between war and business

horizontal axis (*x*-axis) represents the degree of ethics. Thus, war is at best a redistribution of resources from losers to winners, and at worst, a value-destroying event. In war, one's victory is achieved at the expense of another, and even the winner can generally suffer from losses no matter how great the victory is. Hence, the net effects are always negative. Ethics is not valued in warfare, as deception is critical and an effective way to achieve victory at a lower cost.

In contrast to the zero-sum game of war, economics/business is a positive-sum game, which creates values for consumers and the society. This view traces back to Adam Smith's (1937 [1776]) *The Wealth of Nations*, in which Smith asserted that all traders can benefit if countries specialize in producing goods in which they have absolute advantages.¹ However, before Adam Smith, mercantilism was the dominant economic theory, which considered trade as a zero-sum game, similar to the logic of war. The trade surplus of one country can be attained at the expense of a trade deficit of another country, given the zero-sum assumption. However, with respect to ethics, deception or unethical business is

¹ See Cho and Moon (2013a) for more discussion.

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not allowed in today's world of business (see Figure I.2). Firms will not be able to survive if they deceive consumers with low-quality products and other immoral business operations. This is because in business, contrary to war, there is a third party which serves as an umpire (whether it be consumers or the government), while there is no such referee in the game of war.

A great number of studies that apply military strategies to the modern business environment make the mistake of neglecting these fundamental differences between war and business. With a complete understanding of these fundamental differences, Sun Tzu's advice for military battles can be a great resource for current day business leaders, especially with respect to his orientation toward cost reduction, complete victory, and grand strategy (see Figure I.2).

First, Sun Tzu argued for a profitable victory against the enemy – in other words, winning inexpensively. As war is always costly, the longer the military campaign, the more expenses one has to pay. Sun Tzu's argument, "What is important in war is a swift victory, not prolonged operations," demonstrates Sun Tzu's military thought of a "swift victory," and this message is consistent with the basic objectives of efficiency, lower costs, and profit maximization in business.

Second, Sun Tzu's philosophy teaches constructiveness over destructiveness, so that some scholars call him a pacifist. In addition to warning readers of the destructive nature of warfare at the beginning of his book, Sun Tzu continually emphasized that war should only be used as a last resort. Instead, he advocated for noncombat, blood-free victories. Winning without destroying the enemy and their resources while limiting damage to one's own resources is what Sun Tzu calls "winning the complete victory." Similarly, the goal of business is to satisfy the customer's needs by creating values, rather than destroying competitors.

Last, Sun Tzu maintained that the ultimate goal of military strategy is to ensure a sustainable victory instead of a one-time

victory. Winning a war is not the final goal for an army; how to consolidate the victory is more important. Sun Tzu suggested that military leaders think long term and consider the aftermath of war instead of only focusing on short-term glory in battlefields. One may win the war and seize the enemy's land. However, if one cannot consolidate one's accomplishment, it will be very dangerous, as it would mean a drain of resources. Therefore, Sun Tzu emphasized a "grand strategy," which considers not just winning the war, but also the preparation of prewar and the effects of postwar. In business, Sun Tzu's grand strategy is comparable to creating shared value (CSV) (Porter and Kramer, 2011), the recent trend in business considerations of social interest.

4 THE INTEGRATION OF SUN TZU AND PORTER

Sun Tzu's military strategy presented in *The Art of War* has been widely adopted by scholars and practitioners of modern business management (Dalton, 2008; Douglas and Strutton, 2009). However, most existing studies are limited to only applying Sun Tzu's theories to specific business cases, and few have conducted a rigorous theoretical comparison between Sun Tzu's military strategy and business models. Most of these studies attempt to benefit from the proven wisdom of military tactics to overcome challenges in specific business contexts. However, there are risks in this simplistic application of military strategies to business contexts without theoretical substantiation and a clear understanding of the differences between war and business. Moreover, since the business environment has become increasingly interconnected and complex, military strategies optimized for a zero-sum game structure of competition have been increasingly insufficient aids for modern business strategies that must address both cooperation and competition.

Therefore, in order to use military strategies for business, one must conduct an in-depth analysis that takes out aspects of military strategy unsuitable for business context by using the

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filter of a business mind-set, instead of a war mind-set. In order to identify the suitable elements of military strategies, on the other hand, one needs to study the given military guidelines (e.g., Sun Tzu's *The Art of War*) and comparable business theories (e.g., Michael Porter's business models) hand in hand. By conducting a comparative study of military and business theories, one can more readily identify the strengths and weaknesses of both sides—a significant advantage considering how established business or military theories tend not to easily reveal their weaknesses. With such accurate and swift evaluation, a comparative study can generate complementary effects between the two sides and help enhance the explanatory power of both military and business theories. I chose Porter's business theories for the most appropriate comparison with Sun Tzu's military theories because of the following reasons.

First, Sun Tzu is the most reputable ancient military strategist and Michael Porter is the leading contemporary business thinker. Sun Tzu, in *The Art of War*, developed many military principles, which deal with different methods of overcoming the difficulties in warfare. Similarly, Porter also developed many business strategies on overcoming management difficulties in the modern business world. Porter has colonized the entire field of business theory (Economist, 2011a). Just as Sun Tzu's *The Art of War* is still a timeless classic and mandatory reading in major military schools (Wu, Chou, and Wu, 2004), Porter's business models and theories are contemporary classics taught at most business schools throughout the world (Adams, 2015).

Second, Sun Tzu and Porter emphasized both external and internal factors for success in military and business. Sun Tzu included two external environmental factors – terrain and heaven – in addition to the three internal factors – principle, generalship, and system – thereby proposing five determinants for victory in war. MacDonald and Neupert (2005) argued that one of the main

strengths of Sun Tzu's approach is his recognition of environmental factors when formulating a strategy for dealing with the enemy. Sun Tzu said, "Knowing the enemy and oneself" is not enough to make one successful in the battle because the environment where and when the battle occurs should also be considered. Accordingly, he claimed, "Knowing the enemy and oneself, one will not be in danger, but knowing the terrain and heaven in addition to the enemy and oneself, one will obtain a complete victory."

In business, Porter has advanced the traditional perspective of the industrial organization theory. Traditional industrial organization theory emphasizes the important role that the environment has on firms' performance, implying that the firm cannot influence the industry structure. However, according to Porter, industry structure is not completely exogenous, but partly influenced by the firm's activities (Spanos and Lioukas, 2001). Porter maintained that firms' success should be attributed to both the environment and firms' managerial capabilities, which are neglected in the classical industrial organization theory. Therefore, like Sun Tzu, Porter also emphasized both environmental factors and firms' behaviors for achieving superior performance against their competitors.

Third, Sun Tzu stressed positioning in the war. According to Sun Tzu, the best military strategy is not beating the enemy through direct fighting, but winning the war without fighting or at minimum costs. With the proper strategic positioning, an army can enjoy a preponderance of power against the enemy and may even obtain the victory before the battle ensues. With a favorable position, the physically weaker army can even defeat the physically stronger army. Sun Tzu also pointed out that although the external environments are out of one's control, one can still make them controllable by exploiting favorable conditions and avoiding unfavorable conditions of terrain or heaven.

Like Sun Tzu, Porter emphasized the importance of firms' strategic positioning in the market. Porter (1980) introduced three types of

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generic positioning (i.e., generic strategy) – cost leadership, differentiation, and focus.² The firm choosing any one of the three generic strategies can achieve above average profits. Moreover, Porter (1996) emphasized that only the unique positioning with good trade-offs and fit among the firm's value activities can help firms avoid imitation from the rivals, thereby achieving a sustainable competitive advantage.

Porter introduced numerous business models since the 1980s. In this book, I selected Porter's most useful business models to compare with Sun Tzu's military strategies. These models vary in their characteristics: some are about evaluating the business environment such as the five forces model and diamond model; others are about choosing a unique positioning against the competitors, such as the generic strategy, and strategic positioning. There are also other theories and concepts, including cluster theory, and more recently the concept of creating shared value for sustainable development of both firms and the society.

In the course of my research, I was surprised to find Porter's business strategy models and Sun Tzu's military strategy models match in their numbers and characteristics. For example, Porter's diamond model of evaluating the business environment is similar to Sun Tzu's consideration of various factors of determining the victory. Porter's models on choosing firms' superior positions against the competitors are much similar to Sun Tzu's strategies, which emphasize gaining relative superiority at the point of contact, such as the military tactics of avoiding the enemy's strengths and attacking their weaknesses. These theoretical linkages of the thirteen chapters between Sun Tzu and Porter are illustrated in Table I.1.

The similarities between Sun Tzu and Porter, however, should be studied and applied with a full understanding of the fundamental difference between war and business. Victory at any cost is the nonnegotiable end in a war, but value creation

² Porter (1985) further categorized the focus strategy into two, cost focus and differentiation focus, thus four generic strategies in total.

Table I.1 *The linkages between Sun Tzu and Michael Porter for each chapter*

| | Sun Tzu's Military Strategy Models | Porter's Business Strategy Models | Linkage | Issues & Porter's |
|------|-------------------------------------|---------------------------------------|---|---|
| Ch 1 | Five elements | Diamond model (Porter, 1990) | Assessing overall competitiveness | Sun Tz by incl expand Porter: incorpe same g |
| Ch 2 | Swift victory and local procurement | Value chain analysis (Porter, 1985) | Investigating the sources of competitive advantage | Sun Tz by ben Porter: but a s outsou system |
| Ch 3 | Winning without fighting | Five forces model (Porter, 1980) | Selecting the most profitable means or areas to compete | Sun Tz Porter: coevol |
| Ch 4 | Tactical dispositions | Generic strategy (Porter, 1980, 1985) | Preparing for competitive | Sun Tz advant |

Table I.1 (cont.)

| | Sun Tzu's Military Strategy Models | Porter's Business Strategy Models | Linkage | Issues in Porter's |
|------|---|--|---|--|
| Ch 5 | <i>Cheng</i> (normal) and <i>Chi</i> (abnormal) | Operational Effectiveness (OE) and Strategic Positioning (SP) (Porter, 1996) | positioning before competing Enhancing advantages through alternative strategies | Porter: mistakes Sun Tz: but dev Porter: higher SP for u |
| Ch 6 | Weaknesses and Strengths | Strategies for unique positioning (trade-offs, fit) (Porter, 1996) | Making unique combination of strategies | Sun Tz: risky th Porter: unique |
| Ch 7 | Turning the devious into the direct | Creating shared value (CSV) (Porter and Kramer, 2011) | Turning the disadvantageous position into advantageous one | Sun Tz: between Porter: efficien commu |
| Ch 8 | Variation of tactics | Consistency and changes in strategy (Porter, 1979, 1996) | Deciding what to do and what not to do for effective changes | Sun Tz: extrem Porter: unfavo |

Table I.1 (cont.)

| | Sun Tzu's Military Strategy Models | Porter's Business Strategy Models | Linkage | Issues in Porter's |
|-------|---|---|---|---|
| Ch 9 | Moving troops and investigating the enemy | Extended generic strategies (Porter, 1980, 1985, 1996; Moon et al., 2014) | Expanding the scope of tactics and competitive targets | Sun Tz before Porter: into th BOP (b particu |
| Ch 10 | Tactics for dealing with six types of terrain | Cluster theory (Porter, 1990, 1998, 2008) | Exploiting location advantages for increasing synergies | Sun Tz terrain Porter: perform incorpo global) |
| Ch 11 | Strategic attack by an expeditionary force | Configuration-Coordination model (Porter, 1986) | Extending and integrating strategies in foreign locations | Sun Tz expedit Porter: more c |

Table I.1 (cont.)

| | Sun Tzu's Military Strategy Models | Porter's Business Strategy Models | Linkage | Issues in Porter's |
|-------|------------------------------------|--|---|---|
| Ch 12 | Fire attack | Innovation (Porter, 1990) | Creating superior power through innovative means | Sun Tz advanta Porter: wider r innova |
| Ch 13 | Using spies | Information technology (Porter and Millar, 1985; Porter, 2001) | Utilizing information for enhancing competitive advantage | Sun Tz inform compet Porter: institu interna |

by keeping ethics and rules is the purpose of business. In this perspective, while Sun Tzu's military strategies give valuable insights to business, applying them to business without careful modification will mislead business managers. For this reason, this book also discusses critical differences between Sun Tzu's military principles and Porter's business ones. Hence, in each of the following thirteen chapters, I will discuss which of Sun Tzu's strategies can be applied and which cannot be applied to business. In addition, I will also suggest possible extensions for both Sun Tzu and Porter's strategy models by borrowing useful concepts from each other. Therefore, these comprehensive and systematic approaches will provide useful guidelines for both managers and scholars in the military and business fields.