SUN TZU

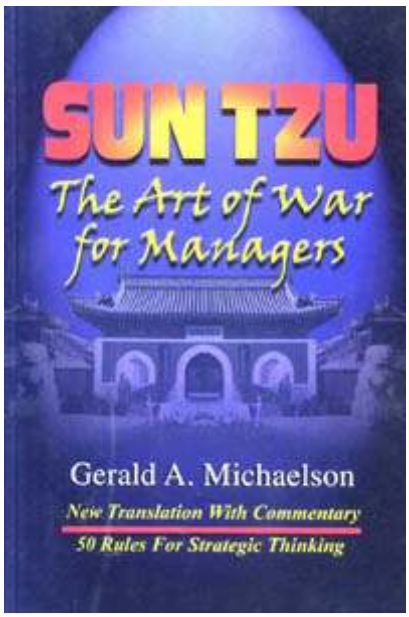
The Art of War for Managers



Gerald A. Michaelson

New Translation With Commentary

50 Rules For Strategic Thinking



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This book is dedicated with love to the future of
Danny, Jessica, Katie, and Nicholas

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The Lesson Of The Concubines

The following story is considered to be of dubious authenticity and not part of the thirteen chapters. Some translators include it within their books; others ignore its existence. All narratives are quite similar. You may find interesting lessons in the following version.

Sun Tzu's book, *The Art of War*, earned him an audience with the King of Wu who said, "I have thoroughly read your thirteen chapters. May I submit your theory of managing soldiers to a small test?"

Sun Tzu replied, "Sir, you may."

The King of Wu asked, "Can the test be applied to women?"

Sun Tzu replied that it could, so arrangements were made to bring 180 beautiful women from the palace. Sun Tzu divided them into two companies with one of the King's favorite concubines at the head of each. He then made all of them take spears in their hands and spoke to them: "I presume you know the difference between front and back, right hand, and left hand?"

The women replied, "Yes."

Sun Tzu continued, "When to the sound of drums I order 'eyes front,' look straight ahead. When I order 'left turn,' face toward your left hand. When I order 'right turn,' face toward your right hand. When I order 'about turn,' face around to the back."

After the words of command had been explained, the women agreed they understood. He gave them spears so he could begin the drill. To the sound of drums, Sun Tzu ordered 'right turn.' In response, the women burst out in laughter.

With great patience, Sun Tzu said, "If the instructions and words of command are not clear and distinct, if orders are not thoroughly understood, then the general is to blame." He then repeated the explanations several times. This time he ordered the drums to signal 'left turn,' and again the women burst into laughter.

Then Sun Tzu said, "If the instructions and words of command are not clear and distinct, if orders are not thoroughly understood, the general is to blame. But if commands are clear and the soldiers disobey, then it is the fault of the officers." He immediately ordered the women who were at the head of the two companies to be beheaded.

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Of course, the King was watching from a raised pavilion, and when he saw that his two favorite concubines were about to be executed, he was alarmed and swiftly sent down a message: "We are now quite satisfied as to the general's ability to manage troops. Without these concubines, my food and drink will not taste good. It is the King's wish that they not be beheaded."

Sun Tzu replied, "Having received the sovereign's commission to take charge and direct these troops, there are certain orders I cannot accept." He immediately had the two concubines beheaded as an example and appointed the two next in line as the new leaders.

Now the drums were sounded again and the drill began. The women performed all the maneuvers exactly as commanded, turning to the right or left, marching ahead, turning around, kneeling, or rising. They drilled perfectly in precision and did not utter a single sound.

Sun Tzu sent a messenger to the King of Wu saying, "Your Majesty, the soldiers are now correctly drilled and perfectly disciplined. They are ready for your inspection. Put them to any use you desire. As sovereign, you may choose to require them to go through fire and water and they will not disobey."

The King responded, "Our commander should cease the drill and return to his camp. We do not wish to come down and inspect the troops."

With great calm, Sun Tzu said, "This king is only fond of words and cannot carry them into deeds."

Commentary following the story indicates that the King relented, recognized Sun Tzu's ability, and appointed him a general; and Sun Tzu won many battles. In contrast, some historians believe Sun Tzu simply served as a civilian strategist, and others deny his existence, claiming he was actually someone else.

The moral of the story could be a lesson on training, discipline, command structure, role playing, or perhaps job interviews. The thoughtful reader may use his or her imagination to determine applicable lessons.

Introduction

As I stood in the Great Hall of The People in Beijing, China, an entourage was approaching. The next thing I knew I was shaking hands with the Premier of ChinaLi Peng. The introduction was part of a journey to China to deliver a presentation concerning the use of Sun Tzu's strategies for business at an international symposium on *The Art of War*.

Sun Tzu was a practical philosopher who wrote the 7,000-word *The Art of War* in about 500 B.C. I read it while researching my book *Winning the Marketing War* and found the content to be quite useful.

If you've read James Clavell's *Noble House* or seen the movie *Wall Street*, you've encountered some of the wisdom of this ancient Chinese strategist. In both the book and the movie, the major characters quote from Sun Tzu as a foundation for their strategy.

The Art of War might be one of the oldest books you will ever read. Originally written on bamboo strips, this acclaimed work has achieved international recognition as *the* concentrated essence of winning strategy.

For centuries, *The Art of War* has held a preeminent position among both Chinese and Japanese strategists. Many of the sayings of Chairman Mao are simple restatements of Sun Tzu's philosophies.

When Chiang Kai-shek's military attaché advised British military strategist B. H. Liddell Hart that Chinese officers were trained from Hart's books, he replied it was time they went back to Sun Tzu:

Since in that one short book was embodied almost as much about the fundamentals of strategy and tactics as I [Hart] had covered in more than twenty books. In brief, Sun Tzu was the best short introduction to the study of warfare.

Confirming again that *The Art of War* is *the* sound fundamental text on strategy.

Eastern versus Western Strategy

The Art of War is the foundation of Eastern strategy. Sun Tzu's central thesis is that you can avoid fighting when you plan the right strategy before the battle.

On War by Carl von Clausewitz, a German officer who wrote in Napoleon's time, is the foundation of much of Western strategy. Clausewitzian theory concentrates on the big battle as the way to win.

Although there is evidence that a translation of *The Art of War* could have been available to Napoleon, Sun Tzu's work has not generally been considered a contributor to Western military strategy.

Readers will find *On War* filled with convoluted sentences and difficult to read. One English translation is over 600 pages long. Clausewitz's work expresses so many ideas that, like the Bible, it can be used to justify any position. In contrast, Sun Tzu is a masterpiece of simplicity. When comparing Clausewitz and Sun Tzu, strategist Liddell Hart comments: "Sun Tzu has clearer vision, more profound insight, and eternal freshness."

Locked within Sun Tzu are secrets for business and personal success. Continued study and analysis yields insight unlocking winning concepts. Each additional reading of Sun Tzu gains new insights.

A Strategic Manual for Business Leaders

Using Sun Tzu's strategies in business is nothing new. The existence of over 100 Japanese translations of *The Art of War* indicates that it has served as a source of strategic thinking for many Japanese managers. In contrast, there are only a handful of translations into English.

There is much evidence that *The Art of War* is making significant contributions to the thinking of contemporary business leaders. Harvard Professor Michael Porter quoted from Sun Tzu when he lectured the NFL owners on how they could defeat the USFL. Venture capitalist Asher Edelman made *The Art of War* required reading for admission to his course on entrepreneuring at Columbia University. Although Western officers who laid plans for the Gulf War were well versed in Sun Tzu, it would seem as though Saddam Hussein was not. Quantity orders for the book have been placed by business organizations, trade unions, and law enforcement agencies.

The Art of War is a classic not only of strategy but also of simplicity. There was nothing very complex about warfare in Sun Tzu's time. It simply involved land battles of large bodies of troops armed with personal weapons. And it is the very simplicity of *The Art of War* that makes Sun Tzu's lessons readily transferable to business strategy. The ancient strategic principles of Sun Tzu establish a firm foundation for understanding the strategic rules of modern business.

Indeed, it is the test of time that makes these ancient lessons valuable to the business manager. The lessons of Sun Tzu are thousands of years old. While many business lessons have existed for such a short time, they have yet to

crystallize as valid strategies. Evidence of respect for the passage of time to give veracity to lessons comes from a Chinese historian who was asked in 1925 to identify the lessons of the French Revolution. He replied, "I would love to, but it is still too early to tell."

Strategy and Tactics

The fundamental principles of strategy are the same for all men, all times, and all situations. Only the tactics changeand tactics are modified to the times.

Strategy can be defined as "doing the right thing." Tactics is "doing things right." Where does strategy end and tactics begin? Admiral Mahan in his work on sea power said:

Contact is a word which perhaps better than any other indicates the dividing line between tactics and strategy.

Strategy stops at the border in war and at the headquarters door in business. Tactics begins with contact with the customer.

Sun Tzu's *The Art of War* provides fundamental lessons for contemporary strategic thought and is a fertile source of ideas for tactics.

About This Edition

Because there are so few English language translations of *The Art of War*, the emergence of the new translation I received in Beijing at a symposium sponsored by "The Research Society of Sun Tzu's *The Art of War*" has special significance. Translation of Chinese ideograms into English is a complex task because each character can have many different meanings. Consequently, the personal and professional backgrounds of the translators tend to bias the translation. The Chinese language scholars who undertook the difficult task of translating from the original documents concentrated on finding the most accurate interpretations of the

ideograms.

As author, I made an exhaustive search to locate all English language translations. Each translation has been reviewed to find areas where different interpretations would benefit the reader.

Eastern and Western strategic writings exist as two distinct and separate sources of information, seldom communicating with each other. Western strategists build upon the strengths of previous Western strategists; Eastern strategists similarly reinforce each other. Neither build on the strength of the other. This book provides a conceptual linkage between the fundamental lessons of the two. By analyzing key concepts from both Eastern and Western

strategic thought, you gain insight into how *both* can strengthen your strategy *and* tactics.

This book does not propose a short list of key strategies, but rather is formulated around the understanding that strategy is a mental process. The best strategy comes from the right mind-set. Clausewitz said, "Theory can give no formula with which to solve problems. It lets the mind take a look at objects and their relations and then the mind goes to higher regions of action, there to act." *Sun Tzu: The Art of War for Managers* provides a refreshing way to immerse one's self in the great strategic thinking which nurtures the mind.

This new translation of Sun Tzu is a joy to readand read again. The lessons of Sun Tzu can be applied to many real-life situations and serve as an everyday resource for all kinds of strategic thought. For example, a version of *The Art of War* relates Sun Tzu's principles to winning in the stock market. An English translation titled *The Art of Strategy* is organized as a template for the strategies of life.

The strategic lessons in *The Art of War* have become a general construct to solve a variety of problems. Although the text has its origin in military strategy, the applications in this book focus on strategic issues for managers.

Readers Guide

Like the original work, this book is divided into 13 chapters. Unlike the original work, each chapter is subdivided into three to six discrete strategic rules.

Each chapter begins with a title page from the original translation, the titles of the strategic rules, and brief commentary. On facing pages within the chapter are Sun Tzu's translation and business commentary on the strategic rules.

At the end of the book, an appendix restates key concepts.

Because the flow of the book faithfully maintains the sequential order of Sun Tzu's translation, there is no modern strategic construct. Rather, each strategic rule stands alone as an idea generator for the contemporary strategist.

Because the content of the book flows from Sun Tzu's philosophy, it should not be considered as a complete modern strategic manual. Instead, the value of the translation and business commentary is its ability to simplify the complexity of strategic thinking. While you may want to take the philosophy of Sun Tzu seriously, do not take the modern translation of the ancient words too literally.

My wish is that this simplified organization and commentary on the wisdom of an ancient strategist will contribute to your continued success.

GERALD A. MICHAELSON

Chapter One
Laying Plans

Strategic Rules

Thoroughly Assess Conditions
Compare Attributes
Look for Strategic Turns

The vision of what the organization wants to be and achieve must be determined with an awareness of reality. That is the reason for the assessment and analysis in this chapter.

"Visions are the vehicles that transport us across the boundaries of current reality to the boundless hopes of a future seemingly beyond our grasp. What once we deemed impossible becomes not only possible but probable when we live out our vision through actions," said Fred Smith, as COO of Tennessee Associates International. The vision components articulate a vivid image of the organization's future, purpose, mission, and guiding values. From the vision, organization leaders can determine the strategy, set strategic initiatives, and lay plans.

The more sophisticated the planning process becomes, the harder it is to introduce the flexibility that allows for changes in the situation. In rigid systems, planning and obedience to the plan are regarded as the key to victory. Carefully laid plans rigorously implemented without deviation are regarded as *the way* to overcome the inevitable confusion. As ever-increasing time and attention are focused on "the process of planning," the successful execution of the plan becomes secondary. However, any football coach can tell you that rigidity does not win games. Each coach has plans that allow for flexibility in formations to adapt to reality. It follows that it is not strategists who change the planit is reality.

A common mistake is to consider planning as only a mental process, an idea in our head that simply looks at the past and adjusts for the future. If your plan is not in writing, you do not have a plan at all. Instead, you have only a dream, a vision, or perhaps even a nightmare. The simple written plan works best.

Thoroughly Assess Conditions

Sun Tzu says:

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.

Therefore, to make assessment of the outcome of a war, one must compare the various conditions of the antagonistic sides in terms of the five constant factors:

1.	moral influence
2.	weather
3.	terrain
4.	commander
5.	doctrine

These five constant factors should be familiar to every general. He who masters them wins; he who does not is defeated.

Business Parallels to Five Constant Factors

1. Moral Influence means a "Spirit of Mission." The strength of belief that the purpose is morally sound rallies a fighting spirit and generates a firestorm of commitment.
2. Weather equates to "Outside Forces." The surge of consolidation that is sweeping through every industry is an outside force, as is the emergence of world competition, and the influence of environmentalism.
3. Terrain is the "Marketplace." As the general must know the terrain, so the strategy must consider the scene of actionpeople, place, product, promotion, price, etc.
4. Commander has an equivalent in "Leadership." The names keep changing, but the principles of leadership remain the same.
5. Doctrine is comparable to "Guiding Principles." Understand and apply the fundamental principles that determine success.

Thoroughly Assess Conditions

Good assessment is the foundation of a successful operation.

When the management of a major pharmaceutical company found that product development was falling off, an assessment revealed the reason. Although senior managers claimed that development was a team effort, analysis of their 25 most profitable drugs revealed that two people had initiated ten of them. The reason product development declined was because both had been moved to positions where they were no longer in the development stream. 1

An Ogilvy & Mather analysis showed that the return on the marketing investment to existing customers can be many times greater than to prospective customers. That is why every assessment must include a thorough analysis of how to increase business with existing customers. The greatest source of increased sales and profits is from those who know you and are now purchasing your products.

In today's business world, the assessment before the plan is often ignored in the rush to action. When action is taken without a thorough assessment of the situation, too often people begin working on the wrong things. In these circumstances, the result will be that a lot of effort is expended with no gain.

Assessments are simply methodologies for gathering data in a structured process designed to elicit facts or perceptions. Assessments can be internal or external. They can be conducted by one or more individuals to determine the current status of an organization. Assessments can be surveys distributed to everyone or interviews conducted across a vertical slice of the organization chart. When assessments are conducted by an external organization, respondents usually feel they have a better chance of giving anonymous input. This provides the opportunity for gathering more accurate data.

Motorola is engaged in an ongoing assessment of its employees which requires supervisors to regularly discuss questions on the internal culture.

Internally, the assessment provides information on strengths and weaknesses that can energize and direct self-renewal. Externally, the assessment reveals threats and opportunities.

Compare Attributes

Sun Tzu continues:

Therefore, to forecast the outcome of a war the attributes of the antagonistic sides should be analyzed by making the following seven comparisons:

1.	Which sovereign possesses greater moral influence?
2.	Which commander is more capable?
3.	Which side holds more favorable conditions in weather and terrain?
4.	On which side are decrees better implemented?
5.	Which side is superior in arms?
6.	On which side are officers and men better trained?
7.	Which side is stricter and more impartial in meting out rewards and punishments?

By means of these seven elements, I can forecast victory or defeat.

If the sovereign heeds these stratagems of mine and acts upon them, he will surely win the war, and I shall, therefore, stay with him. If the sovereign neither heeds nor acts upon them, he will certainly suffer defeat, and I shall leave.

A Strategic Moral

Following the success of the Prussian Army in the Franco-Prussian War, the British General Staff sent a team of aristocrats to find out the secret of success. They reported the Prussian troops were all clean shaven with short cropped hair. The British Army copied this. It remains a law to this day.

The moral of the story is: Don't copy the wrong thing! (Or don't send aristocrats to do competitive studies.)

Compare Attributes

Compare competitive strengths and weaknesses.

When Coke and Pepsi engage in competitive battles, or when P&G determines how to increase market share, these organizations use competitive marketing research as an input ingredient. When Xerox determined it wanted to be a world-class competitor, it benchmarked every process to determine how to make that process the best in class.

Comparisons of attributes can be made in several ways: either a direct competitive comparison of strengths and weaknesses or benchmarking that studies comparable processes in any other organization. Benchmarking is a learning experience that "steals shamelessly" from friend and foe alike.

When Ford benchmarked six other well-run companies, it found the following key attributes: executives spent time outside their offices communicating with employees, people and their skills were a competitive advantage, trust replaced controls, cross-functional teams developed cutting-edge products and services, bureaucracy was out, teams were in, authority was delegated, training was readily available, and each benchmarked company said it was customer driven.

At IBM Rochester, the manufacturing cycle time for a computer system was 246 days from ordering parts to shipping. Through benchmarking, the cycle time was reduced to less than 30 days. As people on the benchmarking team observed successful new practices elsewhere, they readily accepted the need for change.

When an international electronics company benchmarked its plants by function, it found several plants had extremely efficient manufacturing processes and immediately adopted the more efficient processes throughout the organization.

A Fortune 500 company benchmarked attributes other large organizations considered key to success. The best companies listed processes that achieved results as the keys to success while less successful ones ignored the process and simply listed the resultsas though each was unaware of the fact that process performance determines results.

"Bench racing" can be a good way to connect vision and reality. The idea comes from runners sitting on the bench and imagining themselves racing around the track outrunning competitors. This technique offers an opportunity to visualize your journey through obstacles to a successful finish. 2

Look for Strategic Turns

Sun Tzu continues:

Having paid attention to the advantages of my stratagems, the commander must create a helpful situation over and beyond the ordinary rules. By 'situation' I mean he should act expediently in accordance with what is advantageous in the field and so meet any exigency.

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.

Offer a bait to allure the enemy, when he covets small advantages; strike the enemy when he is in disorder. If he is well prepared with substantial strength, take double precautions against him. If he is powerful in action, evade him. If he is angry, seek to discourage him. If he appears humble, make him arrogant. If his forces have taken a good rest, wear them down. If his forces are united, divide them.

Launch the attack where he is unprepared; take action when it is unexpected.

These are the keys to victory for a strategist. However, it is impossible to formulate them in detail beforehand.

Now, the commander who gets many scores during the calculations in the temple before the war will have more likelihood of winning. The commander who gets few scores during the calculations in the temple before the war will have less chance of success. With many scores, one can win; with few scores, one cannot. How much less chance of victory has one who gets no scores at all! By examining the situation through these aspects, I can foresee who is likely to win or lose.

Other translators use different words to describe calculations:

One says *strategic factors*, another calls them *conditions*, and still another translates calculations as meaning *strengths and weaknesses*.

Look for Strategic Turns

Anticipate events that change the rules for success.

When the Minutemen faced the Redcoats on the open battlefield of Concord in the traditional frontal confrontation of the time, the Minutemen lost. Then, the Minutemen made a fundamental shift in their battle tactics and fired on the Redcoats from behind stone fences as they returned to Boston. This shift in tactics initiated a strategic turn in combat as the new strategy of skirmishing contributed to the success of the American revolution.

External Strategic Turns: Wal-Mart's initial strategy focused on small towns. Wherever it invaded, competitive merchandising strategy was changed forever. The advent of the mass-merchant at one extreme of retailing and the specialty boutique at the other reshaped merchandising strategies across a wide variety of industries.

ESPN is an example of a cable network that heralded a new strategy in marketing. ESPN doesn't have viewers; it has fans that make it a competitive powerhouse. Originally a network with a lot of sporting events, ESPN has reshaped itself into a network for sports junkies. It supplies sporting news and events to every single continent including Antarctica. 3

Internal Strategic Turns: At the Tactical Air Command during six and one-half years of General Bill Creech's leadership, dramatic improvements in combat readiness were made with no additional people or money. Out-for-maintenance aircraft were reduced 71 percent, and monthly sorties increased 80 percent (the productivity bottom line). Fighter parts delivery time was reduced dramatically, and aircraft accident safety increased 275 percent. As a result, the combat capability of the Tactical Air Command doubled and billions of dollars were saved.

To achieve this awesome record of reshaping his own organization, Creech changed the internal operating strategy to focus on decentralization of authority. His commanders immersed themselves periodically in operationsfor example, spending a week with a night maintenance crew. Throughout his command, he applied the principles of quality management as outlined in his best selling book *The Five Pillars of TQM* (product, process, organization, leadership, and commitment).4

Chapter Two
Waging War

Strategic Rules

Marshal Adequate Resources
Make Time Your Ally
Everyone Must Profit from Victories
Know Your Craft

Since the ideal strategy is whatever works best, it follows that implementation is a powerful component of the strategic rollout. The tactical plan is as important as the strategic plan because it takes the vision and strategy to the point of contact.

A European strategist, Captain Johnstone, wrote in 1916, "You do not know how the enemy is disposed? Fight and find out. The decisive attack can only be confidently fixed after some fighting. The tentative attack is not a separate fight, but the beginning of the battle. Launch a formation against the whole front and you learn the shape." 1

With the right strategy, the battle is only half won; the strategy succeeds only with professional execution. Problems arise when planning is separated from execution. This is like separating thinking from doing and diffuses responsibility.

The important thing is to get started. Too much time spent in planning can breed indecisiveness and error. It is often better to engage in some form of simultaneous planning and implementation. This can be as difficult as changing a tire while the car is moving. Plans must be shaped in relation to reality with the information learned from contact.

Close examination of companies with great reputations for long-range planning reveals they also focus on short-term gains. That is, they play for the championship one day at a time with a consistent focus on long-range direction.

In every endeavor, the abnormal is normal and uncertainty is certain. A contingency plan should be prepared to allow for the abnormal. The exercise of preparing the contingency plan yields insights into threats and opportunities.

Marshal Adequate Resources

Sun Tzu says:

Generally, operations of war involve one-thousand swift chariots, one-thousand heavy chariots and one-hundred-thousand mailed troops with the transportation of provisions for them over a thousand li. Thus the expenditure at home and in the field, the stipends for the entertainment of state guests and diplomatic envoys, the cost of materials such as glue and lacquer and the expense for care and maintenance of chariots and armour, will amount to one-thousand pieces of gold a day. An army of one-hundred-thousand men can be raised only when this money is in hand.
The point that funds must be available before the attack is launched is emphasized in another translation:

> *Only when you have in hand one thousand pieces of gold for each day can the hundred thousand troops be mobilized.*
> Roger Ames

Marshal Adequate Resources

Invest adequate resources so the operation can be sustained.

Home Depot, Toys R Us, and other giant category killers in the retailing marketplace understand how to marshal enough resources to overwhelm the market. By combining the concentration of an overwhelming assortment of merchandise with the propaganda of everyday low prices, they suck up market share like crazy.

The failure of many airline start-ups is an obvious business parallel to Sun Tzu's expressed need to have enough resources to survive. Often, these business failures are accompanied by an announcement that the organization ran out of capital before it could generate enough business to be profitable. So it is that all business problems eventually become financial problems.

Why is it that the cry from every business failure is: "We ran out of money." Of course they did! But the real problem was probably one or more of the following: not enough managerial talent or operational skill, wrong products or services, or one of a myriad of other inadequate resources required to make the organization successful.

The problem of adequate resources is especially critical in start-ups because they do not have the base of loyal customers that sustains mature businesses in an economic downturn.

In every battle, the one with the most resources has the odds in his favor. As Damon Runyon said, "The battle may not go to the strong, or the race to the swift, but that's the way to bet."

Allocation of adequate resources for development of future products and services assures success. In its first full year as an independent company, Lucent Technologies invested 11 percent of revenues in its Bell Research center which secures an average of three new patents every day. SmithKline Beecham and Microsoft invest more than 15 percent of sales in research and development. 2

To achieve success, you must have superiority. However, that superiority is always relative. It is only necessary to answer the question: What is the allowable limit of resources to allocate? If you are truly determined to win, there is no upper limit. However, this does not mean you should recklessly squander resources. When resources are depleted and cannot be replenished, the result will be bankruptcy.

Make Time Your Ally

Sun Tzu continues:

In directing such an enormous army, a speedy victory is the main object.

If the war is long delayed, the men's weapons will be blunted and their ardor will be dampened. If the army attacks cities, their strength will be exhausted. Again, if the army engages in protracted campaigns, the resources of the state will not suffice. Now, when your weapons are blunted, your ardor dampened, your strength exhausted and your treasure spent, neighboring rulers will take advantage of your distress to act. In this case, no man, however wise, is able to avert the disastrous consequences that ensue.

Thus, while we have heard of stupid haste in war, we have not yet seen a clever operation that was prolonged. There has never been a case in which a prolonged war has benefited a country. Therefore, only those who understand the dangers inherent in employing troops know how to conduct war in the most profitable way.

Hence, what is valued in war is a quick victory, not prolonged operations.

Speed Wins

Throughout history, winning generals developed disciplines and systems for moving faster than their opponents. Napoleon's troops marched at 120 paces per minute while his opponents marched at 70 paces. Since Napoleon's troops marched almost twice as fast as his opponents, speed alone gave him a tremendous advantage that was a major contributor to his success.

Make Time Your Ally

The key is to become rapidly effective and efficient.

Cisco, Compaq, and Dell are examples of fast moving companies that won positions in PC's and computer networking. Cycle time reduction and just-in-time systems have become staples of leading-edge production systems.

A speedy victory is indeed the main objective, and the value of timebeing a little ahead of your opponenthas contributed to many victories. Achieving this advantage involves both getting started quickly and rapidly attaining a position of strength.

Building strength rapidly is, in itself, a clever advantage. The speed with which a marketing position is occupied is critical. Those who own a position early may need to expend less resources defending that position than those who come later and must try to occupy that position. The defense of an occupied position is always less costly than the expenditure required to take that position.

Because the high cost of acquiring new customers depletes financial resources much more rapidly than the activities required to keep existing customers, new business ventures must move rapidly to build a loyal customer base.

Here are a few key issues in making time an ally:

As a rule, earliest is best. Time saved is time gained.
The later you start, the more you require.
The more urgent the need for a decision, the longer it takes.
Rapid decision making produces rapid execution.
Rapid action is simultaneous action.
Delayed decisions inevitably lose their positive quality.
All the positive consequences of speed accrue to the early offensive.
The less you delay:
the less apt you are to be surprised.
-
- the less ready will be your competitor.
- the greater the probability your time of attack will be earlier than expected.

As a result, your opponent will be surprised and the consequences will accrue in your favor. 3

Everyone Must Profit from Victories

Sun Tzu continues:

Those adept in employing troops do not require a second levy of conscripts or more than two provisionings. They carry military supplies from the homeland and make up for their provisions relying on the enemy. Thus the army will be always plentifully provided.

When a country is impoverished by military operations, it is because an army far from its homeland needs a distant transportation. Being forced to carry supplies for great distances renders the people destitute. On the other hand, the local price of commodities normally rises high in the area near the military camps. The rising prices causes financial resources to be drained away. When the resources are exhausted, the peasantry will be afflicted with urgent exactions. With this depletion of strength and exhaustion of wealth, every household in the homeland is left empty. Seven-tenths of the people's income is dissipated and six-tenths of the government's revenue is paid for broken-down chariots, worn-out horses, armour and helmets, arrows and crossbows, halberds and bucklers, spears and body shields, draught oxen and heavy wagons.

Hence, a wise general is sure of getting provisions from the enemy countries. One zhong of grains obtained from the local area is equal to twenty zhong shipped from the home country; one dan of fodder in the conquered area is equal to twenty dan from the domestic store.

Now in order to kill the enemy, our men must be roused to anger; to gain the enemy's property, our men must be rewarded with war trophies. Accordingly, in chariot battle, when more than ten chariots have been captured, those who took the enemy chariot first should be rewarded. Then, the enemy's flags and banners should be replaced with ours; the captured chariots mixed with ours and mounted by our men.

The prisoners of war should be kindly treated and kept. This is called 'becoming stronger in the course of defeating the enemy.'

Everyone Must Profit from Victories

Increase both human resources and material assets with each victory.

When a rival in mergers and acquisitions reduced bonuses, Merrill Lynch swooped in with job offers. Said one defector, "I figured Merrill Lynch would always pay me when I had a good year." This employee believed that with the change would come a direct connection between victory and personal gain. 4

While I was visiting the national headquarters of one of America's most successful companies, one of its major competitors announced it was going out of business. Within minutes, you could hear secretaries on the phone advising branch managers to immediately interview and hire the best of the now-defunct competitor's salespeople (who would also have contacts with the best prospects). As Sun Tzu says, "This is called 'becoming stronger in the course of defeating the enemy.'" What a loss of good fortune it would be to win the battle and not become stronger.

Too often, a corporate acquisition results in a "housecleaning" of very competent and experienced people. The people who are terminated in the interest of financial efficiencies are often those who really know the customers, the culture, and the subtle elements necessary for success. The result is the acquired company becomes weaker before it becomes stronger, if it survives at all.

The acquisition strategy of many successful companies has been to keep the original owners and staff of acquired companies as active managers while providing the financial resources to power future growth. The chairman of a successful business built on friendly acquisitions said, "One of the key objectives in an acquisition is to retain the existing management. They are the people who built the business, and if we are going to buy that business, it is important to utilize their strengths."

In establishing recognition and reward programs for performance, think about providing opportunities for everyone to win. Make the award cycle short and issue rewards immediately after the event. Always gather an audience when you give recognition.

Know Your Craft

Sun Tzu continues:

And therefore the general who understands war is the controller of his people's fate and the guarantor of the security of the nation.

Qualities of Leadership

Thousands of years ago, one of Sun Tzu's commentators, Ho Y en-hsi, wrote, "The difficulties in the appointment of a commander are the same today as they were in ancient times" 5and that was said during what we consider ancient times.

Napoleon in his maxims said, "It is exceptional and difficult to find in one man all the qualities necessary for a great general. That which is most desirable, and which instantly sets a man apart, is that his intelligence or talent are balanced by his character or courage. If his courage is the greater, the general heedlessly undertakes things beyond his ability. If, on the contrary, his character or courage is less than his intelligence, he does not dare carry out his plans."

Mao Tse-tung wrote, "In actual life we cannot ask for an invincible general; there have been few such generals since ancient times. We ask for a general who is both brave and wise; who usually wins battles in the course of wara general who combines wisdom with courage."

Military writers generally agree that the ideal leader is a task specialist with an equal flair for the human aspects of leadership. In *On the Psychology of Military Incompetence*, Dixon points out that humanitarianism is a prerequisite for high morale and physical health.

Know Your Craft

Master the expertise required to win.

When *Fortune* magazine 6 listed the ten most admired companies, it recognized the leadership of each:

General Electric: Jack Welch
Microsoft: Bill Gates
Coca-Cola: Douglas Ivester
Intel: Andy Grove
Hewlett Packard: Lewis Platt
Southwest Airlines: Herb Kelleher
Berkshire Hathaway: Warren Buffet
Disney: Michael Eisner
Johnson & Johnson: Ralph Larsen

In each case, the leaders of these companies have profound industry knowledge and most have grown with the organization. Many star executives are long-term experts in their craft.

When the early Romans built an aqueduct, the engineer who designed the structure stood under it when the scaffolding was removed. This clearly verified his expertise in his craft.

Computer people should run computer companies (witness the disastrous short term of John Scully when he moved from Pepsi to Apple), beverage people should run beverage companies, and airline people should run airline companies. The credentials of an industry expert are impressive. Who would argue about coffee with Starbucks founder Harold Schultz or motorcycles with Harley-Davidson turnaround leader Vaughn Beals?

The trio who opened the first of over 500 Outback Steakhouses in Tampa had years of restaurant experience with Steak & Ale, Bennigan's, and Chili's and at the New Orleans World's Fair. This Australian concept restaurant has become one of the most popular, and profitable, steak houses of the decade.7

Home Depot founders Marcus and Blank acquired their expertise as senior executives at another home center called Handy Dan.

Any venture capitalist will tell you that the background and character of the people is the most important factor in the success of a new venture.

Chapter Three
Attack By Stratagem

Strategic Rules

Win without Fighting
Strength against WeaknessAlways
Beware of "High-Level Dumb"
Obey Fundamental Principles

At every level of any operation, strategy is indeed "war on a map"it is the "plan on paper." Strategy deals with the allocation of resources to the battle. In *On War,* Clausewitz says that strategy sets the point *where,* the place *when,* and the *force with which* the battle is to be fought.

In his book *Strategy,* B. H. Liddell Hart explains the objective of strategy. "The true aim is not so much to seek battle as to seek a strategic situation so advantageous that if it does not of itself produce the decision, its continuation by battle is sure to achieve this."

The first rule in strategy is to pay painstaking attention to the needs and wants of the customer and your organization's ability to fulfill those needs. This analysis includes every step from design through delivery and after-sale service. Only after a thorough analysis of your ability to meet the customer's needs do you check with competitive realities to determine the viability of your strategy. Great strategy never reacts to the competitor; instead, strategy defines the opportunity in terms of the customer and then considers the situation in the competitive environment. Strategy must also consider the depth of corporate resources, effect of government regulations, environmental concerns, and currency fluctuations.

Strategy is not a competitive game. "Do more, better, faster" is not a strategy. Strategy focuses on adding real value to the customer. Strategy does not seek confrontation; instead, it seeks to achieve objectives with minimum combat.

Great strategies arise from intense discussion and deliberation that take into account internal strengths and weaknesses and external threats and opportunities. This thorough analysis provides insights that can identify important strategic turns.

Win without Fighting

Sun Tzu says:

Generally, in war the best thing of all is to take the enemy's state whole and intact; to ruin it is inferior to this. To capture the enemy's entire army is better than to destroy it; to take intact a battalion, a company or a five-man squad is better than to destroy them. Hence, to win one hundred victories in one hundred battles is not the acme of skill. To subdue the enemy without fighting is the supreme excellence.

Thus, the best policy in war is to attack the enemy's strategy. The second best way is to disrupt his alliances through diplomatic means. The next best method is to attack his army in the field.

The worst policy is to attack walled cities. Attacking cities is the last resort when there is no alternative.

It takes at least three months to make mantlets and shielded vehicles ready and prepare necessary arms and equipments. It takes at least another three months to pile up earthen mounds against the walls. The general unable to control his impatience will order his troops to swarm up the wall like ants with the result that one third of them are slain, while the cities remain untaken. Such is the calamity of attacking walled cities.

Therefore, those skilled in war subdue the enemy's army without fighting. They capture the enemy's cities without assaulting them and overthrow his state without protracted operations.*

Their aim must be to take all under heaven intact through strategic superiority. Thus, their troops are not worn out and their triumph will be complete. This is the art of attacking by strategem.

*Sun Tzu's Strategy Applied to Business

subdue the enemy's army without fighting

Find a non-combative strategy.

capture the enemy's cities without assaulting them

Use an indirect approach.

overthrow his state without protracted operations

Win without expending excessive time or resources.

Win without Fighting

The ultimate victory is to win without conflict.

Holiday Inn established its initial success along well-traveled highways at the outskirts of towns where it would not compete with major chain hotels like Hilton and Sheraton that were already established in city centers. Alamo Car Rental's first market entry was in the least crowded (and least alluring) niche of tour operators who purchased auto rentals at wholesale rates.

Across the television spectrum are companies who carved out a niche where there was limited competition: CNN in news, HGTV in home and garden ideas, MTV in music for the younger generation, the History Channel in documentaries, and the list goes on.

In the Philippines, Jolibee studied the marketing strategies of McDonald's in other countries and beat it to the marketplace. When the Big Mac arrived in Manila, it found competition firmly entrenched. Today, Jolibee outsells McDonald's in the Philippines.

Everyone with a new product or business concept has rushed to expand rapidly and capture markets ahead of competition. Witness the rapid expansion of Subway in sandwiches, Home Depot in hardware, and Starbucks in coffee. The success of Beanie Babies is legendary.

The concept of being victorious without engaging in conflict is fundamental to Sun Tzu's strategic thought. To apply this concept, it is necessary to seek victory before entering the competitive arena. Otherwise, you must fight in the hope of winning. This concept of winning before the battle applies to every situation. We so often find that the outcome has really been determined before the battle. This is expressed in the saying: "The side that wins will be the side that has already won."

Strategy is a planning process. It is war on paper. It is doing the right thing. It is seeking victory before the battle.

Tactics is a contact process. It is the action of the war. It is doing things right. It is the battle.

The best organizations develop win-win strategic initiatives. They do their marketing so well they are sure to win. When competitive forces are encountered, their selling is so good they win anyway.

Strength against WeaknessAlways

Sun Tzu continues:

Consequently, the art of using troops is this:
When ten to the enemy's one, surround him.
When five times his strength, attack him.
If double his strength, engage him.
If equally matched, be capable of dividing him.
If less in number, be capable of defending yourself.
And if in all respects unfavorable, be capable of eluding him.

*Hence, a weak force will eventually fall captive to a strong one if it simply holds ground and conducts a desperate defense.

Other translators' versions of the last sentence help explain the consequences of fighting a larger foe:

> **If in all respects unequal, be capable of eluding him, for a small force is but booty for one more powerful.*
> Samuel B. Griffith
>
> **Thus a small enemy that acts inflexibly will become captives of a large enemy.*
> Ralph D. Sawyer

For if inferior numbers make a determined stand, they will be captured by the greater.
A. L. Sadler

Though an obstinate fight might be made by a smaller force, in the end it must be captured by the larger force.
James Clavell

Strength against WeaknessAlways

Battles are won by concentrating strengths.

In America, Gillette will sell the most razor blades, Frito-Lay will sell the most potato chips, and Anheuser-Busch the most beer. The reason is simply that they have more locations selling razor blades, potato chips, or beer. This sales strength is backed up with all the necessary strength of production and distribution.

Operations succeed because someone knows how to concentrate strengths against weaknesses. The rule of ratios of strengths is simple: if we do not have real superiority, we cannot win. The objective is not an equal match; seek an unequal advantage in your favor. As Napoleon said, "God is on the side of the heaviest artillery."

The issue is not one of raw numbers; superiority can be achieved in a variety of ways. In business competition, the superiority can be in elements of the marketing mix: place (locations or shelf space), price, promotion, product, etc. It can also be in the fighting spirit of the organization.

It is vital to know the strengths and weaknesses of our opponent in order to assess where the attack must be focused. Underestimate the opponent and the results can be disastrous.

The use of simple mathematical ratios to indicate when one should launch the offensive has a real application to every strategic situation. When you have overwhelming superiority, you can win. When the other side has overwhelming superiority, it will win. Between these two extremes is a variety of situations where extended combat will be required.

Much of success in any endeavor can be achieved by focusing your resources where you can achieve decisive results profitably. You cannot be strong everywhere. This requires a careful analysis of both profit opportunities and market needs. The priority ranking is important. First, you must satisfy the needs of the market. Then, and only then, can you profit from your actions. When the profit requirements are first, you have the wrong decision sequence. The market needs decision is always made before the financial decision. It's done successfully no other way.

As you think about applying strength, think about reinforcing your own strength. This is often the best way to win.

Beware of "High-Level Dumb"

Sun Tzu continues:
Now, the general is the bulwark of the state:
If the bulwark is complete at all points, the state will surely be strong.
If the bulwark is defective, the state will certainly be weak.
Now, there are three ways in which a sovereign can bring misfortune upon his army:
1. By ordering an advance while ignorant of the fact that the army cannot go forward, or by ordering a retreat while ignorant of the fact that the army cannot fall back. This is described as 'hobbling the army.'

2.By interfering with the army's administration without knowledge of the internal affairs of the army. This causes officers and soldiers to be perplexed.
3.By interfering with direction of fighting, while ignorant of the military principle of adaptation to circumstances. This sows doubts and misgivings in the minds of his officers and soldiers.

If the army is confused and suspicious, neighboring rulers will take advantage of this and cause trouble. This is simply bringing anarchy into the army and flinging victory away.

Orders versus Instructions

In the Prussian armies of the late 19th century, a system was instituted to clearly differentiate between orders and instructions:

Instructions were an expression of the commander's wishes, not to be carried out unless manifestly practicable.
Orders were to be obeyed instantly and to the letter.

However, orders could be issued only by an officer actually present with the troops concerned and fully aware of the situation. 1

This clear differentiation provides a methodology to ensure that headquarters does not run operations by remote control.

Beware of "High-Level Dumb"

Avoid acting without full knowledge of the situation.

In *The Reckoning*, David Halberstam's book on the auto industry, he articulates the problem of "men whose strength was that they could hear the truth in their own voices." He says, "There were, it was believed, few honest answers at Ford during McNamara's years because there were few honest questions." How often have we seen situations where management doesn't ask the right questions and consequently cannot see the real truth. Obviously, this creates "high-level dumb" situations.

Do not sow the seeds of destruction by micromanaging. There are a variety of alibis for this behavior; none are valid! No subordinate can operate at a level of competency when the boss supervises every detail.

When management is incompetent, good people simply "fire their boss" as they leave the organization. Turnover rates can be a signal of trouble.

In *On the Psychology of Military Incompetence* 2 , author Norman Dixon cites anxiety as the most common cause of leadership failure. He theorizes that what has been taken for lack of intelligence was perhaps due to the crippling effects of anxiety on perception, memory, and thought.

The following are among Dixon's list of items common to incompetence:

A fundamental conservatism and clinging to outworn tradition
A tendency to reject or ignore information
A tendency to underestimate the opponent
Indecisiveness
A failure to make use of surprise
A predilection for frontal assaults
A failure to make adequate reconnaissance

Too often, incompetent leaders resist new information because it might cause them to change their course of direction. The greater the impact of the new information, the more strenuously it is resisted because if changes must be made, then we were wrong before.

In contrast, the ideal leader is best characterized as one who combines excellence as a task specialist with an equal flair for the human aspects of leadership. I've been privileged to work with, and for, a few of these fine individuals.

Obey Fundamental Principles

Sun Tzu continues:

Thus, there are five points in which victory may be predicted:

1.	He who knows when to fight and when not to fight will win.
2.	He who understands how to handle both superior and inferior forces will win.
3.	He whose ranks are united in purpose will win.
4.	He who is well prepared and lies in wait for an enemy who is not well prepared will win.
5.	He whose generals are able and not interfered with by the sovereign will win.

It is in these five points that the way to victory is known. Therefore, I say:

Know the enemy and 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 ignorant both of your enemy and of yourself, you are sure to be defeated in every battle.

Sun Tzu's Fundamental Principles Adapted for Business

1. Understand when to launch the offensive.
   Good information sources will help you know when to take offensive action and when to withhold it.
2. Allocate resources.
   Use different strategies when inferior and superior.
3. Plan a united effort.
   Secure a common belief at all levels in a common vision.
4. Take advantage of opportunities.
   Be prepared to act when others are unprepared.
5. Decentralize.
   Each unit leader must know his or her area and be empowered with authority.

Obey Fundamental Principles

The chances for failure are high when the rules that ensure victory are ignored.

Here are a few fundamental principles of business:

Organize an Intelligence System: Know your market as well as you know yourself. Decision making must be data driven.

Maintain Objectives: Determine a clear direction and keep a steady aim. Do not wander down side tracks.

Establish a Secure Position: Occupy a position that cannot easily be taken by your opponent. Strengthen your core competencies.

Keep on the Offensive: Being on the offensive preserves freedom of action and keeps you in control.

Plan Surprise: This is the best way to gain psychological dominance and deny the initiative to your opponent. Speed is an essential component of surprise.

Think Maneuver: Consider how to put yourself at an advantage and your opponent at a disadvantage. Find lightly defended or unoccupied positions.

Concentrate Resources: Mass sufficiently superior force at the decisive place and time. Be a guerrilla when you can't be a gorilla. The strongest at any given time and place will always defeat the weakest.

Keep It Simple: The simple works best. Even the simplest plans can be difficult to execute. 3

These fundamental principles of business are guidelines that lead to success. Although principles can sometimes be violated, they must always be considered. To know the principles and violate them is to take risks. To ignore the principles is stupidity. Violate the rules only when you know you are violating them. The further you stray from the fundamental rules, the greater the risks.

Applying the rules is an art. It is in this art that judgment comes into play. Professionals are aware of the subtleties of business rules; amateurs too often ignore the rules. Both take risks; both win and lose. Only one has the odds in his favor. The greater the experience of the professional manager, the greater his or her understanding of the risks of straying from the rules and the less the tendency to stray without a valid reason.

Chapter Four
Disposition Of Military Strength

Strategic Rules

Be Invincible
Attain Strategic Superiority
Use Information to Focus Resources

In business discussions, the issue constantly arises: Does strategy determine tactics or is it tactics that determines strategy? Strategy always comes before tactics just as thinking comes before doing. However, thinking can be the easy part. It's the doing that is difficult.

It is a business fundamental that the strategy must be correct for the plan to succeed. There's no chicken and egg problem here. The strategy must be right first; you must be *doing the right thing*. Then the tactics can support the strategy by *doing things right*. Excellent strategy at higher levels can sustain many tactical failures at lower levels. The converse is rarely true. Sustained tactical successeven continuous brilliant execution of tacticsseldom overcomes an inadequate strategic posture.

A bad strategy supported by good tactics can be a fast route to failure as, for example, driving fast and skillfully in the wrong direction will not get you to your destination. Success requires a balance of strategy and tactics. History proves that the best strategy and tactics are achieved in areas fundamental to the core strengths of the organization.

The strategic plan cannot be conceived in a tactical vacuum. Otherwise, the solution might parallel the plan of the mythical strategist who recommended boiling the ocean as a way to eliminate the menace of German submarines.

Successful tactical implementation requires a deep appreciation of strategy. Otherwise, the tactician will not understand why he or she is doing what. When we do not understand the underlying concepts, we do not have the ability to improve or improvise properly.

Be Invincible

Sun Tzu says:

The skillful warriors in ancient times first made themselves invincible and then awaited the enemy's moment of vulnerability. Invincibility depends on oneself, but the enemy's vulnerability on himself. It follows that those skilled in war can make themselves invincible but cannot cause an enemy to be certainly vulnerable. Therefore, it can be said that, one may know how to achieve victory, but cannot necessarily do so.

Invincibility lies in the defense; the possibility of victory in the attack. Defend yourself when the enemy's strength is abundant, and attack the enemy when it is inadequate.*

Those who are skilled in defense hide themselves as under the most secret recesses of earth.

Those skilled in attack flash forth as from above the topmost heights of heaven.

Thus, they are capable both of protecting themselves and of gaining a complete victory.

Other translators offer different interpretations of invincibility in the attack and defense:

> **So we see that the great general can protect himself from giving the enemy an opportunity for victory, but he cannot make the enemy susceptible to defeat.*
> Brian Bruya

> **Invincibility is a matter of defense, vulnerability is a matter of attack. Defense is for times of insufficiency, attack is for times of surplus.*
> Thomas Cleary

Be Invincible

Plan to take advantage of every opportunity.

The invincible awards in American business go to companies like Microsoft with its take no prisoners attitude, McDonald's who is everywhere, and Starbucks who owns the high ground in gourmet coffee. The list goes on.

A common characteristic of these premier organizations is a strong founding leader who set a course and kept the organization on the course. Strong companies are founded by strong individualswhen they leave, the stamp of their culture becomes the core of the organization's future.

At Ogilvy & Mather, founder David Mather established the practice of sending each new branch head a nested set of wooden dollseach doll opens to reveal a replica of a smaller doll. Inside the smallest is a message, "If each of us hires people who are smaller than we are, we shall become a company of dwarfs; but if each of us hires people who are bigger than we are, Ogilvy & Mather will become a company of giants." 1

Personal leadership is where "art" takes over to control the application of "science." This does not mean that principles are ignored but rather that the successful leader understands how to properly apply the principles.

The ultimate success of the organization is dependent on the inspiration and leadership of the executive at the highest level. Using the authority the position commands, the senior leader can set in motion a chain of events that will cascade changes throughout the entire organization. Effecting these changes and making them work require a leadership style dramatically different from the old paradigm.

No leader does it alone. As Kets de Vries points out in *Life and Death in the Fast Lane:* "The derailment of a CEO is seldom caused by a lack of information about the latest techniques in marketing, finance, or production; rather, it comes about because of a lack of interpersonal skillsa failure to get the best out of people who possess necessary information."

Coca-Cola has a chief learning officer whose job it is to figure out how to institutionalize the sharing of experiences between branch offices, countries, and people, and to turn Coke into a "learning organization." "The ability to learn faster than your competitors may soon be the only sustainable competitive advantage," says Arnie De Geus, head of planning at Royal Dutch Shell.2

Attain Strategic Superiority

Sun Tzu continues:

To foresee a victory no better than ordinary people's foresight is not the acme of excellence. Neither is it the acme of excellence if you win a victory through fierce fighting and the whole empire says, 'Well done!' Hence, by analogy, to lift an autumn hair [hare] does not signify great strength; to see the sun and moon does not signify good sight; to hear the thunderclap does not signify acute hearing.

In ancient times, those called skilled in war conquered an enemy easily conquered. Consequently, a master of war wins victories without showing his brilliant military success, and without gaining the reputation for wisdom or the merit for valor. He wins his victories without making mistakes. Making no mistakes is what establishes the certainty of victory, for it means that he conquers an enemy already defeated.

Accordingly, a wise commander always ensures that his forces are put in an invincible position, and at the same time will be sure to miss no opportunity to defeat the enemy. It follows that a triumphant army will not fight with the enemy until the victory is assured, while an army destined to defeat will always fight with the opponent first, in the hope that it may win by sheer good luck.* The commander adept in war enhances the moral influence and adheres to the laws and regulations. Thus it is in his power to control success.

Another translator emphasizes the importance of strategic planning:

> **Thus, a victorious army wins its victories before seeking battle; an army destined to defeat fights in the hope of winning.*
> Samuel B. Griffith

> **So we see, the victorious person creates the conditions for certain victory and then does battle with the enemy. The defeated person always engages the enemy first, then hopes he is lucky enough to win.*
> Brian Bruya

Attain Strategic Superiority

A successful strategy achieves victory before the battle.

There is a long history of the successful entry of products where competition was minimal or non-existent: Xerox into copiers, IBM into data analysis, Apple into home computers, and Crest with fluoride toothpaste. With this kind of superiority, the initial competitive battle was quite limited in scope.

Milwaukee-based Kohl's has cut a wide swath in soft goods retailing with a leadership dedicated to a carefully crafted strategy. A stock analyst says, "Kohl's combines the cost structure of a discounter and the brands of a department store. It straddles those worlds and takes share from both." The design and merchandising is not too upscale and not too low rent. The shopper finds a clean bright store where everything is easy to find. The service is good and the perceived value is high. 3

The introduction of Tide detergent by Proctor & Gamble involved a classic strategy of gaining brand name superiority. When automatic washers first came to market, manufacturers were anxious to educate new purchasers to use detergent instead of soap which would leave a scum in places that could not be cleaned. So P&G provided leading producers with free boxes of Tide to be packed in every automatic washer at the

factory. The free trial package convinced many housewives to become repeat customers. And Tide became the leading detergent brand without engaging in a major conflict.

Although all conflict cannot be avoided, a well planned strategy will nullify most opposition. Fighting and winning require less strategic skill than winning without fighting.

Opportunities for attaining strategic superiority can be found in:

The product or service which is so clearly unique and carefully targeted that it is has no competition.
The idea which is so completely researched and validated that no other seems viable.
The fundamental truth which is presented with such moral strength that any other approach appears immoral.

The issue is always how one's strategy can win the customer and nullify the opposition. The offensive should never be aimed at the opponent's strengths. Strategies that focus on the customer's needs and consider the opponent's weaknesses have the best odds for winning.

Use Information to Focus Resources

Sun Tzu continues:

Now, the elements of the art of war are first, the measurement of space; second, the estimation of quantities; third, the calculation of figures; fourth, comparisons of strength and fifth, chances of victory.*

Measurements of space are derived from the ground. Quantities derive from measurement, figures from quantities, comparisons from figures and victory from comparisons.

Therefore, a victorious army is as one yi balanced against a grain, and a defeated army is as a grain balanced against one yi.

An army superior in strength takes action like the bursting of pent-up waters into a chasm of a thousand fathoms deep. This is what the disposition of military strength means in the actions of war.

Other translators clarify:

> **The art of war may be summarized into five steps:*
> *First, survey of terrain features;*
> *Second, decision of the plan of campaign;*
> *Third, calculation of man-power;*
> *Fourth, weighing of chances;*
> *Fifth, deliberation on victory.*
> Tai Mien-leng

> *According to The Art of War, there are five processes of preparation:
>
> 1. *to control*,
> 2. *to produce*,
> 3. *to compare*,
> 4. *to determine*,
> 5. *to win*.
>
> Tang Zi-chang

Use Information to Focus Resources

Use data to plan overwhelming advantages.

Robert Nardelli, president of General Electric's power systems unit, asked his top 100 customers about their most critical needs and how GE could provide solutions. The answers prompted the company to drastically reduce its response time for providing parts. It also opened the opportunity to advise utilities on the nuances of expanding into foreign markets that were new to them but not to GE. 4

At Ford's monthly strategy meetings, data is reviewed on the profitability and growth potential of Ford's broad line of car and truck models. This information on the customer's preferences is used to rapidly and surgically eliminate products that are no longer in demand.

When the *Arizona Republic* learned that readers didn't have time or patience to wade through long features, it added boxes summarizing the content. When subscribers to the Long Island *Newsday* complained they weren't getting their papers early enough, the operation was reengineered to provide 5:30 a.m. delivery.5

In each of these examples, data links the customer's preferences to performance. Customer input is a vital component of an organization-wide performance measurement system.

Organizations that have added only customer input to their historic financial measurement system have not completed their system. Although the customer input adds another dimension, the financial measure only serves to keep score on what has happened.

The solution is to focus on defining and aligning performance in several key areas: financial, customer, employee, process, innovation, and learning. With achievement of the corporate strategy as the main objective, supportive objectives are established for each key performance area at every level of the organization. Then, a measurement system to track performance is cascaded so that everyone is aligned to achieve the desired results. This cascading measurement system, often called a balanced or synchronized scorecard, encourages the kind of performance that achieves results in areas critical to success.

Chapter Five
Use Of Energy

Strategic Rules

Build a Sound Organization Structure
Apply Extraordinary Force
Coordinate Momentum and Timing

There are two basic command systems for the use and control of energy in the attack:

Centralized ControlReinforcing Weakness: Imagine a field of battle where the commander monitors the front line to see where he is winning and losing. When he sees that one of his units is losing, he sends in his reserves to strengthen the weakness. This system of shoring up weakness requires a high degree of control.

Decentralized ControlReinforcing Strength: In this situation, as offensive forces move forward, they attempt to bypass strengths instead of engaging in battle. If they meet opposition, they go around again and again until they find where they can penetrate. The front line commander does not ask for permission to advance; he merely reports while the senior commander and his staff monitor and support the advance. This decentralized control reinforces strength. 1

The decision concerning use of a system of centralized or decentralized control depends on the mental set of the senior officers and the corporate culture. Whether the culture tolerates one system or the other has a great deal to do with success.

Someone must be in charge. Where everyone decides everything, no one decides anything. Rule by committee can become rule by mediocrity. The inevitable result when decisions are made by everyone is chaos. Clearly expressing his views on command, Napoleon wrote to the National Assembly stating that one bad general is preferable to two good ones. Be careful! The ability of modern communications to reach everywhere can make it too easy to concentrate all power in a single man, who through overwork is often over his head.

No one command system is best. Command systems radically different from each other have led to equally good results.

Build a Sound Organization Structure

Sun Tzu says:

Generally, management of a large force is the same in principle as the management of a few men: it is a matter of organization. And to direct a large army to fight is the same as to direct a small one: it is a matter of command signs and signals.

Organizational Warning

In 210 B.C. Petronius Arbiter wrote:

"We trained hard, but it seemed that every time we were beginning to form up in teams we would be reorganized. I was to learn later in life that we tend to meet any new situation by reorganizing, and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency, and demoralization."

Over 100 years ago, a French officer, Ardant du Picq warned:

"Note the army organizations and tactical formations on paper are always determined from a mechanical point of view, neglecting the essential coefficient, that of morale. They are almost always wrong.

"... Mental acquaintanceship is not enough to make a good organization. A good general esprit is needed."

Build a Sound Organization Structure

The organization exists so that tasks can be managed, people supported, and results achieved.

At Harley-Davidson, the organization chart is three overlapping circles: a Create Demand Circle responsible for marketing and sales, a Produce Products Circle for engineering and production, and a Support Circle for all other functions. In the middle, where the circles intersect, is a Leadership and Strategy Council that oversees general management functions like planning, budgeting, and human relations. The overlapping of the circles emphasizes the interdependence between areas and encourages participation and collaboration. 2

At Xerox, a three-level organization chart shows the corporate staff at the bottom supporting the business teams and districts at the top. Profit and loss responsibility rests with the business team general managers.

At one of the world's largest service companies, Rentokil, in England, the lean headquarters staff is untypical of a company that employs 150,000 people. The organization is managed through branch offices operating as independent profit centers.

No single organizational structure works everywhere.

In his book *Creating Change-Capable Cultures*, Gerald Sentell says, "Structure is to an organization as channels are to river systems. They direct and control flows of human interaction and activity...When the structure can contain and direct the flows of behavior, the system functions. When the flows jump out of the structured channel, the results can create great change."3

When organizations are structured to maximize strengths within departments, the result can disrupt the overall optimization of the organization. When departments are organized to serve themselves, the sum total of these departmental kingdoms is not maximized to serve the customerand business is lost to competitors who know how to focus strengths on the customer.

Systems and processes should not be designed to accommodate the strengths and weaknesses of individuals. Instead, the requirements of the system determine where people are placed in the structure.

Apply Extraordinary Force

Sun Tzu continues:

That the whole army can sustain the enemy's all-out attack without suffering defeat is due to operations of extraordinary and normal forces. Troops thrown against the enemy as a grindstone against eggs is an example of the strong beating the weak.

Generally, in battle, use the normal force to engage and use the extraordinary to win. Now, to a commander adept at the use of extraordinary forces, his resources are as infinite as the heaven and earth, as inexhaustible as the flow of the running rivers. They end and begin again like the motions of the sun and moon. They die away and then are reborn like the changing of the four seasons.

There are not more than five musical notes, but the various combinations of the five notes bring about more melodies than can ever be heard.

There are not more than five basic pigments, yet in blending them together it is possible to produce more colors than can ever be seen.

There are not more than five cardinal tastes, but the mixture of the five yields more flavors than can ever be tasted.

In battle, there are not more than two kinds of posturesoperation of the extraordinary force and operation of the normal force, but their combinations give rise to an endless series of maneuvers. For these two forces are mutually reproductive. It is like moving in circle, never coming to an end. Who can exhaust the possibilities of their combinations?

Translators offer a variety of meanings for what this version calls the normal and the extraordinary:

One translates the Chinese ideograms as meaning *direct and indirect*that is, use the direct to engage, the indirect to win.
Another calls the normal force *regular operations* and the extraordinary force *surprise*.
Still another says, *In fighting you engage the foe with the main body and defeat him with the reserves*.

Apply Extraordinary Force

Use the normal to engage, the extraordinary to win.

Frito-Lay knows how to apply extraordinary force at the point of sale with an army of drivers who restocks customers' shelves with uncommon frequency. With the extraordinary force of over two million agents knocking on doors, Avon is the world's number one direct seller of cosmetics. BMW's extraordinary effort takes a different approach in Retail 2000 which teams a single BMW representative with the customer

during ownership. Allied Signal's six sigma effort strives for extraordinary quality and productivity. 4

Virgin and its founder, Richard Branson, are masters of the extraordinary. From the publicity generated by extraordinary airport lounges and comfortable airplane seating to headline grabbing stunts like hot-air ballooning, Branson knows how to use the extraordinary to build a brand image and extend it to music, cola, vodka, and financial services.

This powerful idea of moving from the normal to the extraordinary works at every level and in every situation. The classic human relations case study occurred years ago at the Bell Lab Hawthorne plant when researchers determined that giving extraordinary attention to a small group of workers increased production. This study concluded that production went up regardless of whether working conditions were enhanced or made worse. The key was the extraordinary attention. Today, results are being achieved by human resources activities that apply the extraordinary. It may be as simple as applying teamwork to problem solving, finding new ways to get commitment, or initiating training programs.

The idea of using *the extraordinary* is an extremely simple concept that clearly identifies what must be done to win. Too often, our plans are based on using only the normal force, and the result is that only "normal" results are achieved. Every annual plan that simply adds "some effort" to what was done last year is only another dance. It takes the force of extraordinary effort to achieve extraordinary results.

The idea of using extraordinary force does not mean more of the same effort. Extraordinary action results from extraordinary thinking. A great way to get out of the box and extend your horizon is to engage in a structured brainstorming session.

Coordinate Momentum and Timing

Sun Tzu says:

When torrential water tosses boulders, it is because of its momentum; when the strike of a hawk breaks the body of its prey, it is because of timing. *Thus, in battle, a good commander creates a posture releasing an irresistible and overwhelming momentum, and his attack is precisely timed in a quick tempo. The energy is similar to a fully drawn crossbow; the timing, the release of the trigger. Amid turmoil and tumult of battle, there may be seeming disorder and yet no real disorder in one's own troops. In the midst of confusion and chaos, your troops appear to be milling about in circles, yet it is proof against defeat.

Apparent disorder is born of order; apparent cowardice, of courage; apparent weakness, of strength. Order or disorder depends on organization and direction; courage or cowardice on postures; strength or weakness on dispositions.

Thus, one who is adept at keeping the enemy on the move maintains deceitful appearances, according to which the enemy will act. He lures with something that the enemy is certain to take. By so doing he keeps the enemy on the move and then waits for the right moment to make a sudden ambush with picked troops.

Therefore, a skilled commander sets great store by using the situation to the best advantage, and does not make excessive demands on his subordinates. Hence he is able to select the right men and exploits the situation. He who takes advantage of the situation uses his men in fighting 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. This is what 'use of energy' means.

> **The onset of troops is like the rush of a torrent which will even roll stones along its course. The quality of decision is like the well-timed swoop of a falcon which enables it to strike and destroy its victim.*
> Lionel Giles

Coordinate Momentum and Timing

Momentum provides force, while timing applies strength at the right moment.

Subway opened 10,000 stores in the last decade and today sells sandwiches from over 13,000 franchised stores in 64 countries. Although some franchisees are disgruntled with overfranchising, it's difficult to ignore the momentum that makes Subway second only to McDonald's in number of outlets. 5

General Electric has been on a roll for years and is keeping its momentum in sales and profits going with as many as 75 acquisitions in a single year.

Nothing succeeds like success and success generates its own momentum. The mini-van and the sports utility vehicle were successful products for the early innovators who have been able to take advantage of the sales momentum to launch innovationsthat are soon copied.

Just as volume sales create momentum and enthusiasm, so does obsolete inventory stifle innovation and growth. When the cash register rings, it seems like you are doing everything right. When it doesn't ring, the mistakes are very visible.

Successful strategic thrusts are achieved by rapidly accumulating power (momentum) and releasing that power when it will have the most desirable effect (timing). A typical business application would be the introduction of a very competitive new product, or the implementation of a major change in warranty or pricing, at a major trade show when it would be most disruptive of a competitor's plans.

Momentum and timing are most often combined in advertising capaigns where massive campaigns are timed with seasonal demand. Or as an associate often said when we discussed timing of a major event, "Let's go hunting when the birds are flying."

The simultaneous use of multiple principles or methods, a technique the military refers to as force multipliers, can apply a lot of pressure. It is not that victory is achieved with the application of a single principle, but rather the use of multiple principles achieves a reinforcing momentum. The cumulative effort of doing a lot of right things right multiplies into awesome power! This happens when retailers move into a new market with multiple locations featuring extensive selections, and engage in enough advertising to make them a super power in the media.

Chapter Six
Weakness And Strength

Strategic Rules

Take the Initiative
Plan Surprise
Gain Relative Superiority
Seek Knowledge
Be Flexible

The math of business is simplenever give a competitor an equal chance. Strategically, the concentration of strength against weakness is a mental process. Tactically, this concentration is a physical act. Here are key considerations in concentrating strength against weakness:

Flank: Concentrate strength against weakness by launching an end run around strong points to a lightly defended or unoccupied position. In your search for weakness, consider these two key elements:

Look for weakness at a junction. It could be between geographic locations, product lines, or the extreme low end or high end of a product category.
Since every strength has a corresponding weakness, look for the weakness of the opposition's strength.

Segment: This is concentrating strength in a specific area. The small can never equal the big everywhere, but anyone can be strong somewhere. As markets have been segmented and resegmented, marketers discover new ways to concentrate against weakness and then concentrate again into a smaller niche or particle market.

Overwhelm: Any initiative can be achieved if enough strength is concentrated to support it. Conversely, any initiative can be defeated if enough strength is focused against the weakness.

Reinforce: The best odds for success are achieved by spending time, money, and energy reinforcing what is working. Then you are leveraging off what you do well.

Take the Initiative

Sun Tzu says:

Generally, he who occupies the field of battle first and awaits his enemy is at ease; he who arrives later and joins battle in haste is weary. And, therefore, one skilled in war brings the enemy to the field of battle and is not brought there by him.

One able to make the enemy come of his own accord does so by offering him some advantage. And one able to stop him from coming does so by inflicting damage on him.

Therefore, on the day the decision is made to lauch war, you should close the passes, destroy the official tallies, and stop the passage of all emissaries. Examine the plan closely in the temple council and make final arrangements.

If the enemy leaves a door open, you must rush in. Seize the place the enemy values without making an appointment for battle with him. Be flexible and decide your line of action according to the situation on the enemy side.

At first, then, exhibit the coyness of a maiden until the enemy gives you an opening; afterwards be swift as a running hare, and it will be too late for the enemy to oppose you.

Seize and Maintain the Initiative

Mao Tse-tung wrote: "No military leader is endowed by heaven with an ability to seize the initiative. It is the intelligent leader who does so after a careful study and estimate of the situation and arrangement of the military and political factors involved."

In the *Foundations of Strategy*, Captain Johnstone warned: "The initiative, once handed over to the enemy, is hard to regain: Ward off blows for a week and your hands are full of defensive details, you begin to be apprehensive of the unseen work of the enemy, and you abandon your plan on small provocation."

Take the Initiative

By its very nature, the offensive offers an advantage for gaining superiority.

"Intel Inside" was one of the first brand campaigns in the technology industry, and today Intel ranks high on *Financial World's* list of brand valuations. The perception is that an Intel processor inside your PC means having state-of-the-art technology.

Minnesota Mining & Manufacturing generates about one-third of its sales revenues from new products that did not exist four years ago. In a single year it has received over 500 U.S. patents for new products. It accelerates sales for the most promising new products with a Pacing Plus initiative in which products for

high growth industries are developed and marketed quickly. 1

In a relatively short time, Starbucks has successfully transformed one of the world's most commonplace beverages into a premium product sold in over 1,000 stores and continued its initiative by forming alliances with airlines, hotels, distributors, and retailers.2

Taking the initiative is first a strategic mental process followed by real tactical action. By acting first, we preserve freedom of action. If our opponent moves first, our only choice may be to react.

The attack has the advantage of initiative. It often forces action on our opponent and relegates him to second place. Initiating the offensive adds positive morale to our side.

The keys to the successful initiative are skill, preparation, and information. The norm is not enough time, not enough resources, not enough information. Consequently, the initiative often requires that "great mental leap in the dark."

The most effective and decisive way to reach the objective is to seize, retain, and exploit the initiative. Being on the offensive puts you in control and forces the opponent to react.

Only rarely will exact details be known. While the attempt to get more information is made as a matter of course, waiting for news in a difficult situation is a bad error. While data is needed to launch the offensive, normally the sooner that something is done, the better will be the odds in your favor, and the better will be the results.

Beware! The offensive does not offer a solution to all problems. Your desire for action must be matched by wisdom.

Plan Surprise

Sun Tzu continues:

Thus, when the enemy is at ease, he is able to tire him; when well fed, to starve him; when at rest, to make him move. All these can be done because you appear at points which the enemy must hasten to defend.

That you may march a thousand li without tiring yourself is because you travel where there is no enemy.

That you are certain to take what you attack is because you attack a place the enemy does not or cannot protect.

That you are certain of success in holding what you defend is because you defend a place the enemy must hasten to attack.

Therefore, against those skillful in attack, the enemy does not know where to defend, and against the experts in defense, the enemy does not know where to attack.*

How subtle and insubstantial that the expert leaves no trace. How divinely mysterious that he is inaudible. Thus, he is master of his enemy's fate.

His offensive will be irresistible if he plunges into the enemy's weak points; he cannot be overtaken when he withdraws if he moves swiftly. Hence, if we wish to fight, the enemy will be compelled to an engagement even though he is safe behind high ramparts and deep ditches. This is because we attack a position he must relieve.

If we do not wish to fight, we can prevent him from engaging us even though the lines of our encampment be merely traced out on the ground. This is because we divert him from going where he wishes.

Another translator expands on how to confuse opponents:

Thus, an ingenious attacker makes the defender at a loss how to defend; an ingenious defender makes the attacker at a loss how to attack.
Zhang Huimin

Plan Surprise

Blend subtlety and secrecy to keep the opponent confused so he knows neither where to attack or defend.

Southwest Airlines often waits until the last moment to announce plans to extend its routes to new markets so that competition has little time to prepare.

The importers of upscale champagne, Dom Perignon, use secrecy as a part of their strategy. One of their executives who refused to talk about how they market their product said, "We don't want to talk about Dom Perignon. We want to maintain its mystique."

Getting information about what's happening in Iraq may be easier than finding out what's happening at Mars candy headquarters.

Secrecy about your own movements can be more threatening than overt action. Some manufacturers have a corporate policy of no public announcement preceding a new product introduction. Since the unknown often appears more threatening than the known, this secrecy becomes a powerful and threatening ally. Concerning corporate raider Rupert Murdoch, a Wall Street analyst said, "Part of Murdoch's strategy is to play his cards close to his vest. The magic is secrecy."

Secrecy protects your plans, while surprise confuses your opponent. In business, it is not essential that your opponent be taken unaware, but only that he becomes aware too late to react effectively. In that case, your opponent will probably announce that he "misread the market."

Even though your current position may be weak, you can do things to divert the enemy from your position. This kind of bluff is achieved by starting rumors that work to your advantage.

The objective of surprise is to obtain a psychological dominance that denies the initiative to your opponent. When surprise is achieved, the balance of power will often be decisively shifted and success achieved out of proportion to effort expended.

Speed is another essential component of surprise. Focus on rapid, hard-hitting thrusts aimed at your opponent's weakness.

Gain Relative Superiority

Sun Tzu continues:

Accordingly, by exposing the enemy's dispositions and remaining invisible ourselves, we can keep our forces concentrated, while the enemy's must be divided. We can form a single united body at one place, while the enemy must scatter his forces at ten places. Thus, it is ten to one when we attack him at one place, which means we are numerically superior. And if we are able to use many to strike few at the selected place, those we deal with will be in dire straits.

The spot where we intend to fight must not be made known. In this way, the enemy must take precautions at many places against the attack. The more places he must guard, the fewer his troops we shall have to face at any given point.

For if he prepares to the front his rear will be weak; and if to the rear, his front will be fragile. If he strengthens his left, his right will be vulnerable; and if his right gets strengthened, there will be few troops on his left. If he sends reinforcements everywhere, he will be weak everywhere.

Numerical weakness comes from having to prepare against possible attacks; numerical strength from compelling the enemy to make these preparations against us.

Relative Superiority Wins

The concept of relative superiority can be distilled from Sun Tzu's statement: "*...we can keep our forces concentrated, while the enemy's must be divided.*" Another translation is worded: "*...if I concentrate while he I can use my entire strength to attack a fraction of his.*"

In the *Science of War*, Colonel Henderson says, "...you must have as much as you can for yourself and as little for the enemy. The highest generalship is to compel the enemy to disperse his army, and then to concentrate superior force against each fraction in turn."

In *On War*, Clausewitz says, "Where absolute superiority is not attainable, you must produce a relative one at the decisive point by making skillful use of what you have."

Gain Relative Superiority

Deploy resources to concentrate strengths against weaknesses.

Known as the "Killer B's," Barnes & Noble and Borders have swept across America opening 600 superstores in five years and driving hundreds of small bookstores out of business.

Bookstores that continue to thrive have found a niche where they can achieve relative superiority. In a megastore built long before the chains came to Portland, Oregon, Powell's main bookstore stocks 200,000 titles of new books, a third more than the average Barnes & Noble, plus 300,000 used books. New and used books are stacked side by side so that readers find an awesome selection in every category. Says Michael Powell, "One way to survive is simply to be bigger and offer a more diverse stock than they do." In addition to the giant main store, Powell's has six satellite stores and kiosks in a nursery, hospital, and hardware storeall acting as feeders to the main store. 3

An inferior force can think strategically about winning if it can tactically achieve relative superiority at each point of contact. This is the way small companies get to be big companies and competitors in every endeavor get to be champions. That is the way guerrillas winthey find out where the enemy is weak and overwhelm him at that point.

When you attempt to concentrate everywhere, you have no concentration. The more thoroughly you specialize, the more sure you are to win. Winning strategies mass resources on the main effort and allocate minimal resources to secondary efforts.

Relative superiority is the best strategy for most companies. Although relative superiority is most often thought of as weight of numbers, there is a variety of ways to achieve relative superiority:

Continuous actionfor example, consistent, small ads
Segmenting by finding a niche or particle market
Concentrating on your own strengths
Forming an alliancefor example, joining a franchise

When you cannot have absolute superiority, you must concentrate your strengths against your opponent's weaknesses to achieve relative superiority. It's a marketing fundamental that you must focus your resources where you can achieve decisive results profitably.

Seek Knowledge

Sun Tzu continues:

Therefore, if one knows the place and time of the coming battle, his troops can march a thousand li and fight on the field. But if one knows neither the spot nor the time, then one cannot manage to have the left wing help the right wing or the right wing help the left; the forces in the front will be unable to support the rear, and the rear will be unable to reinforce the front. How much more so if the furthest portions of the troop deployments extend tens of li in breadth, and even the nearest troops are separated by several li!

Although I estimate the troops of Yue as many, of what benefit is this superiority in terms of victory?

Thus, I say that victory can be achieved. For even if the enemy is numerically stronger, we can prevent him from fighting.

Therefore, analyze the enemy's battle plan, so as to have a clear understanding of its strong and weak points. Agitate the enemy so as to ascertain his pattern of movement. Lure him in the open so as to find out his vulnerable spots in disposition. Probe him and learn where his strength is abundant and where deficient.*

Now, the ultimate in disposing one's troops is to conceal them without ascertainable shape. In this way, the most penetrating spies cannot pry nor can the wise lay plans against you.

Another translator advises getting more knowledge about your opponent's plans:

> **Scheme so as to discover his plans and the likelihood of success. Rouse him, and learn the principle of his activity and inactivity. Force him to reveal himself, so as to find out his vulnerable spots. Carefully compare the opposing army with our own, so that you may know where strength is superabundant and where it is deficient*
> Tang Zi-chang

Seek Knowledge

Knowledge helps stack the odds in your favor.

When Ford introduced the Taurus, engineers tore apart competitors' cars to find features to adapt. In an extensive research campaign, Ford went to end customers and dealers' sales and service personnel to find out what customers wanted. Eventually, a want list of over 1,400 items was generated. About 50 percent of these items were incorporated in the Taurus, which became one of the hottest selling new cars of its time.

When Gillette decided to become the premier male grooming authority, it sought to really understand the male customer and his needs. Gillette's research showed that customers wanted better quality, technology, and performance. This led to developing more advanced shaving systems that reinforced its premier image goal.

Knowledge of the current situation makes it possible for victory to be created. As Patton said, "Intelligence is like eggs, the fresher, the better."

Here are active ways to produce the kinds of knowledge about your opponent that help determine the correct strategy for winning:

> *Watch what he is doing*. As Yogi Berra said, "You can see a lot by observing."
> *Watch what he is not doing*. This is key to obtaining relative superiority.
> *Probe*. This reveals the opponent's strengths and weaknesses.
> *Benchmark*. This study will get people involved in finding out how to develop the best processes.

Centuries ago, the poet Ovid wrote, "It is right to learn, even from the enemy."

Basic to success in business is being close to the customer. That's why executives visit the marketplace. They realize they must not only understand how the customer thinks, they must be able to think like a customer. It is essential to know what your customer wants. The idea of gathering and analyzing information before the battle hasn't been tried and found wanting; it's been found difficult and not tried.

In *The Exceptional Executive*, Levinson says, "A professional is a person who must understand and apply scientific knowledge. Unless he does so, he will be buffeted by forces beyond his control. Given knowledge, the professional can choose courses of action. He is in charge of himself and his work."

Be Flexible

Sun Tzu continues:

Even though we show people the victory gained by using flexible tactics in conformity to the changing situations, they do not comprehend this.* People all know the tactics by which we achieved victory, but they do not know how the tactics were applied in the situation to defeat the enemy. Hence no one victory is gained in the same manner as another. The tactics change in an infinite variety of ways to suit changes in the circumstances.

Now, the laws of military operations are like water. The tendency of water is to flow from heights to lowlands. The law of successful operations is to avoid the enemy's strength and strike his weakness. Water changes its course in accordance with the contours of the land. The soldier works out his victory in accordance with the situation of the enemy.

Hence, there are neither fixed postures nor constant tactics in warfare. He who can modify his tactics in accordance with the enemy situation and thereby succeeds in winning may be said to be divine. Of the five elements, none is ever predominant; of the four seasons, none lasts forever; of the days, some are longer and others shorter, and of the moon, it sometimes waxes and sometimes wanes.

Other translators give their interpretations of the need for flexibility:

> **Perfectness of military movement lies in variation; it is beyond the prying of subtle spies and the machinations of wise brains.*
> Tai Mien-leng

> **Victory is won by flexibly coping with circumstances. If you lay this fact before the people, they will find it hard to comprehend.*
> Zhang Huimin

Be Flexible

While strategies remain constant, tactics must be adapted to each new situation.

Mervyn's department store chain uses a SWAT team of organizational commandos to manage unpredictable staffing needs, meet the needs of erratic market swings, and seize unanticipated opportunities. The SWAT team members must have expertise in buying, merchandising, or advertising. They go where needed on assignments ranging from one week to six months. Exhibiting a bias for action, they ask questions, assess situations, and solve problems. 4

When P&G spent too long in test markets, competitors watched its structured testing process and moved rapidly to beat it to the market rollout with copycat products.

The opposite side of the coin of flexibility is rigidity. When we are rigid, we are predictable. In competitive battles, predictability can be a weakness. Being predictable can signal your intended actions to your opponent, and the odds of failure increase.

Winning isn't easy; it requires simultaneous planning and action. While preliminary planning is important, too much planning can be deadly. All plans are merely the basis for change. Revise plans in relation to what is happening and make adjustments as you go.

The blitzkrieg (lightening war) used so successfully by the German army in World War II is an adaptation of Sun Tzu's comments about the flow of water around obstacles. The blitz is launched along a wide front with the objective of rapid penetration. When resistance is met, the forces go around until they can get through.

The blitz in any business operation works the same way. It is a concentrated effort in a short period of time with the objective of going around resistance and focusing resources where results can be attained. The blitz requires a high degree of decentralization. Forget remote approvals; the successful blitz is an empowered front line offensive with results that can far exceed any ordinary effort. You can find the "lightening war" concept applied throughout organizations in everything from a productivity-oriented kaizen blitz to a volume-oriented sales blitz.5

Chapter Seven
Maneuvering

Strategic Rules

Maneuver to Gain the Advantage
Achieve the Critical Mass
Deceive Your Competitor
Develop Effective Internal Communications
Gain the Mental Advantage

At the strategic level, maneuvering is a way of thinking about how you are going to act in a manner that puts your opponent at a disadvantage. At the tactical level, maneuvering most frequently involves concentrating or dispersing as you seek the most advantageous route. Without thinking about how to maneuver, the idea of fighting when outnumbered is ludicrous.

The essence of maneuver is that the way to avoid what is strong is to attack that which is weak. Look for lightly defended positions.

You can engage in a frontal attack only when you have overwhelming superiority. However, sheer numbers and firepower alone are often not enough to dislodge a competitor in an entrenched position.

Look for situations where real superiority can be attained. In business, as in any battle, the best approach is most often the one that achieves superiority at the decisive point. The marketing maneuver is often an indirect approach to where your customers are and your competitors aren't.

One of the best maneuvers can be to simply relocate the battle. When an advertising executive arrived at a presentation, he found his client thinking of hiring a new agency. He immediately switched from his prepared presentation to a discussion of what the client needed to do to succeed. Afterwards, he commented, "I didn't even talk about the competitive account; I merely changed the battleground."

In corporate political situations, thinking about maneuvering turns the mind to options. It takes the focus away from confrontation and refocuses us on selecting a route that increases the odds of winning.

Maneuver to Gain the Advantage

Sun Tzu says:

Normally, in war, the general receives his commands from the sovereign. During the process from assembling the troops and mobilizing the people to deploying the army ready for battle, nothing is more difficult than the art of maneuvering for seizing favorable positions beforehand. What is difficult about it is to make the devious route the most direct and to turn disadvantage to advantage. Thus, forcing the enemy to deviate and slow down his march by luring him with a bait, you may set out after he does and arrive at the battlefield before him. One able to do this shows the knowledge of artifice of deviation.

Thus, both advantage and danger are inherent in maneuvering for an advantageous position.

Here are military maneuvers adapted for business:

Frontal Attack: Head-on attack with overwhelming superiority.
Attack in Echelon: Initiate the attack with the strongest products or services; then follow up with weaker ones.
Flanking Attack: Attack lightly defended or unoccupied positions.
Blitz: A concentrated effort that keeps on moving as strong points are bypassed.
Encirclement: Launch a variety of competitive products and/or deny key resources to your opponent.
Fabian: Refuse to compete in certain areas, attack in others.
Defense: Maintain position against competitive thrusts.
Relocate the Battle: Find a new competitive arena.
Guerrilla: Find a niche and take what you can get when you can get it.
Retreat: Get out of business.
General Pogo's Strategy: He said, "We have met the enemy and they is us." Attack yourself first. 1

Maneuver to Gain the Advantage

The longest way around can be the shortest route to success.

Major victories have been won by doing the impossible through the impassable. By figuring out how to do the impossible of getting a package from one office to another overnight, Federal Express founder Fred Smith maneuvered to a unique position in the market. And when competition began encroaching on FedEx's "overnight" turf, it redefined overnight to mean "before 10:30 a.m." At the same time, FedEx set up a tracking program so it could rapidly answer questions concerning the en route location of every package. By innovating this new system of early delivery and tracking, FedEx established difficult obstacles for competitors who wanted to achieve parity in service. FedEx has continued its maneuvers to provide services that give it an advantage. Now you can get your FedEx package delivered in many markets before 8 a.m. or on Sunday. As one wag said, "I use FedEx when I 'absolutely, positively' want my package to get there on time and the U.S. Post Office when I 'kind of, sort of' want timely delivery."

Maneuvering to find an advantage is important in every competitive situation. In the auto wars, the Germans did not attack the American cars head-on; they maneuvered to the lightly defended flank at the low end of the market with the Volkswagen and at the high end with BMW and Mercedes. The Japanese copied this tactic, first with brands at the low end and eventually at the high end with Accura, Infiniti, and Lexus.

Since the easiest routes are often the most heavily defended, the longest way around can indeed be the shortest way home. The courses of action which appear most advantageous usually contain the seeds of disadvantage. For example, if you take too long to get organized, you will probably arrive too late. However, if you are not organized, your efforts will be too fragmented to win.

The key to success is turning a circuitous route into a straight route for you alone. Move rapidly; the longer you are en route, the more difficult it may be to get your resources to the market before your competitor.

Extended warranties have been a successful maneuver to a position of product or service superiority for many organizations. Although this works only until your competitor establishes parity, it can be a preemptive maneuver to win customers.

Achieve the Critical Mass

Sun Tzu continues:

One who sets the entire army in motion with impedimenta to pursue an advantageous position will be too slow to attain it. If he abandons the camp and all the impedimenta to contend for advantage, the baggage and stores will be lost.

It follows that when the army rolls up the armor and sets out speedily, stopping neither day nor night and marching at double speed for a hundred li to wrest an advantage, the commander of three divisions will be captured. The vigorous troops will arrive first and the feeble will straggle along behind, so that if this method is used only one-tenth of the army will arrive. In a forced march of fifty li the commander of the first and van division will fall, and using this method but half of the army will arrive. In a forced march of thirty li, but two-thirds will arrive. Hence, the army will be lost without baggage train; and it cannot survive without provisions, nor can it last long without sources of supplies.

One who is not acquainted with the designs of his neighbors should not enter into alliances with them. Those who do not know the conditions of mountains and forests, hazardous defiles, marshes and swamps, cannot conduct the march of an army. Those who do not use local guides are unable to obtain the advantages of the ground.

Strategic initiatives can be either sequential or cumulative:

A sequential initiative requires planned successive steps to achieve success. A new product introduction requiring orderly introduction to the sales force, trade channels, and end customers would most often be a sequential strategy. So would a plan to initiate a new program over time in successive units.

A cumulative initiative is the result of a series of random actions piling on top of one another until at some undetermined point the critical mass is reached. The brand manager who uses sponsorship and events to build brand awareness is often using a cumulative strategy as is the plant manager who initiates a quality campaign simultaneously in units throughout the plant. 2

Achieve the Critical Mass

Apply force at the decisive place and time.

By concentrating in four product areas and acquiring over 80 companies, Dennis Kozlowski, chief executive of Tyco International, raised market capitalization from $2 billion to $30 billion in six years.

Organizations like Ingersoll-Rand and United Dominion Industries who have been diversified are successfully focusing their strengths on three or four key business sectors.

Many companies who thought they were in the computer hardware business have been beaten by companies who understood the importance of being in the software business. Witness the rise of Microsoft compared to the erratic success of IBM.

For years, one of the major buying decisions of gasoline station owners was which brand of gasoline pump to buy. Then, the emerging gas station/convenience store needed merchandise sales recorded through a software system. The gas pump buying decision became secondary to the more important software buying decision that provided inventory and sales information.

Strategic initiatives must focus on the critical factors that give you a competitive advantage. When you have a unique enough advantage, you should be able to get 100 percent of the market.

The critical mass is simply the concentration of energy required to achieve success. What counts is not only the strength of resources, but the speed with which it is delivered. That energy concentration can be in any facet of the organization; for example, purchasing, production, marketing, distribution, etc. Sara Lee, whose products are number one or two in every category, is concentrating on marketing. It is a cake company without ovens, a merchandiser of Hanes hosiery without knitting mills, and a seller of Ball Park franks without processing plants.

The story is told about the person who was trying to convince his friend to gamble. He said, "Give me five reasons why you don't want to gamble." The friend replied, "The first is I don't have any money." Back came the response, "Forget the other four!" Indeed the critical mass was money.

In business as in nuclear fission, a concentration of energy must be attained to achieve the critical mass. The manager must focus his or her energy on assuring performance of the tasks most critical to success.

Deceive Your Competitor

Sun Tzu continues:

Now, war is based on deception. Move when it is advantageous and change tactics by dispersal and concentration of your troops.* When campaigning, be swift as the wind; in leisurely march, be majestic as the forest; in raiding and plundering, be fierce as fire; in standing, be firm as the mountains. When hiding, be as unfathomable as things behind the clouds; when moving, fall like a thunderclap. When you plunder the countryside, divide your forces. When you conquer territory, defend strategic points.

Weigh the situation before you move. He who knows the artifice of deviation will be victorious. Such is the art of maneuvering.

Other translators clarify the meaning of deception:

> **In warfare, practice dissimulation, and you will succeed. Move only if there is a real advantage to be gained. Whether to concentrate or divide your troops, must be decided by circumstances.*
> Lionel Giles

> **When waging war, you must employ cunning tactics and multiple transformations in order to succeed. You must judge whether or not something is advantageous before you act. You must decide whether to concentrate your troops or divide them according to circumstances.*
> Brian Bruya

> **Forces achieve missions with unexpectation, take advantage to fit advantages, and create diversity through scattering and regrouping.*
> J. H. Huang

Deceive Your Competitor

Deception is always targeted at the competitornever the customer.

In baseball, deception is part of the surprise throw to catch the runner off base; in football, it's the hidden ball play; in basketball, it's the faked pass. Why should we consider deception unsportsmanlike in business competition?

Contemporary managers may wonder about Sun Tzu's emphasis on the importance of deception. Any deceptive action might seem to be immoral. In business, the subtle difference is that deception is practiced to confuse the competitor, never the customer.

A South American company and a competitor agreed to maintain high prices on a new product both were introducing. After a few months the competitor cut prices in violation of the agreement. When questioned about the violation, the competitor simply replied that it reduced prices to increase sales. The victimized company was not aware of the admonition from an ancient strategist who said, "Do not do what your enemy wants, if for no other reason than he wants it."

Much of the success of the invasion of Europe in World War II was the result of deception. This misinformation succeeded so well that when the actual invasion took place, the German officers thought the invaded beaches were a deception.

You have often seen deception used as a tactic in negotiations. One side attempts to gain a psychological advantage by appearing to be naive and uninformed when, in fact, it is smart and knowledgeable.

Another deceptive approach in negotiation is to appear to be dejected and crestfallen about your opportunity for prevailing. Because your opponent thinks he is winning, he is likely to be overconfident and vulnerable.

Secrecy can also be a means of achieving deception. This forces your opponent to second-guess your next move. The bigger you are, the more psychologically threatening the unknown becomes to your opponent.

The only thing better than having your opponent not know what you are doing is to have him think you are planning to do something entirely different from what you really intend to do. This is deception. Go for it.

Develop Effective Internal Communications

Sun Tzu continues:

The book of Army Management says: 'As the voice cannot be heard in battle, gongs and drums are used. As troops cannot see each other clearly in battle, flags and banners are used.' Hence, in night fighting, usually use drums and gongs; in day fighting, banners and flags. Now, these instruments are used to unify the action of the troops. When the troops can be thus united, the brave cannot advance alone, nor can the cowardly retreat. This is the art of directing large masses of troops.

Simple Communications Work Best

In Sun Tzu's time, the only available communications were quite simple. Today, we have a wide range of communications methods available and use them all. Invariably, people at the bottom complain about lack of communication, and people at the top complain about receiving more information than they can process.

With computers, the solution to more communications capacity is to break the problem into segments and look at each segment. With people, the solution is a similar decentralization. You break down the problem and achieve decisions by the people at each level instead of sending it all to the top where you overload the head person's brain. With decentralization, you lessen the need for communications at every level.

Regardless of the level, simplicity clears the mind. Keep in mind the rule of three: never make more than three points about an issue. The problem is that long lists are confusing and, as a result, nothing is remembered. As an example, here are three facts concerning a 19th century Prussian command system:

1. An army cannot be effectively controlled by direct orders from headquarters.
2. The man on the spot is the best judge of the situation.
3. Intelligent cooperation is of infinitely more value than mechanical obedience. 3

Develop Effective Internal Communications

Implement ways to get messages received and understood.

Sears tracked the links in the chain of cause and effect running from employee attitude to customer behavior to profit. It modeled how an increase in employee attitude changed behavior and drove an improved customer impression which resulted in a measurable increase in revenue.

Awareness of this employee-customer-profit linkage made Sears management determined to give every employee the information needed to develop an enlightened opinion about how to do his or her job better. Town meetings were held to spread the word and get employees initiating improvements. A corporate university was established. All of the training was focused on changing employee perceptions and attitudes so that attention and behavior would be focused on customers. Operating managers changed their behavior toward employees, and front line employees changed their behavior toward customers. 4

Note the sequence: The change in behavior at the management level caused the change in behavior at the front line. Behavior is a form of communication. Management must walk the talk.

Chief administrative officer, Anthony Rucci, says, "Unless you have a trained, literate, motivated, competent work force, and give them decisionmaking authority, you don't get satisfied customers no matter how good the merchandise is. The right work force creates customer satisfaction, and that produces superior financial performance."

We receive and process so much information so fast that it's easy to hear only what we want to hear. It's becoming increasingly difficult to break through the clutter and get our message communicated to our own people.

Effective internal communication happens only as the result of a well designed plan. This plan is organized around the understanding that all messages are not delivered in the same manner. Good news may need to be delivered only once to be heard. Instructions and changes that disrupt existing paradigms must be communicated in several different ways and often repeated before people will accept the new information. In these instances, a single method of communication is not enough; every message needs to be reinforced by using different means such as one-to-one meetings, department meetings, and interactive forums.

Gain the Mental Advantage

Sun Tzu continues:

A whole army may be robbed of its spirit, and its commander deprived of his presence of mind. Now, at the beginning of a campaign, the spirit of soldiers is keen; after a certain period of time, it declines; and in the later stage, it may be dwindled to nought. A clever commander, therefore, avoids the enemy when his spirit is keen and attacks him when it is lost.* This is the art of attaching importance to moods. In good order, he awaits a disorderly enemy; in serenity, a clamorous one. This is the art of retaining self-possession. Close to the field of battle, he awaits an enemy coming from afar; at rest, he awaits an exhausted enemy; with well-fed troops, he awaits hungry ones. This is the art of husbanding one's strength.

He refrains from intercepting an enemy whose banners are in perfect order, and desists from attacking an army whose formations are in an impressive array. This is the art of assessing circumstances.

Now, the art of employing troops is that when the enemy occupies high ground, do not confront him uphill, and when his back is resting on hills, do not make a frontal attack. When he pretends to flee, do not pursue. Do not attack soldiers whose temper is keen. Do not swallow a bait offered by the enemy. Do not thwart an enemy who is returning homewards. When you surround an army, leave an outlet free. Do not press a desperate enemy too hard. Such is the method of using troops.

Other translators give their interpretations of the use of morale:

> **A large army may be robbed of its morale and a general may be robbed of his resolution...a good strategist makes a point of shunning the keen morale of the enemy and does not strike him until his morale has run out.*
> Zhang Huimin

> **So you should take away the energy of their armies, and take away the heart of their generals...avoid the keen energy and strike the slumping and receding.*
> Thomas Cleary

Gain the Mental Advantage

Understand the psychological factors affecting human resources.

Opportunities for victory are found in the mental capacity of the leader to integrate strategy (planning) and tactics (execution). The ultimate responsibility for victory or defeat lies with the leader, not because he must do everything, but because he must have the mental capacity and provide the means to translate sound strategy into successful tactics.

Externally, the mental advantage is achieved through surprise. You must generate a mismatch by getting inside your adversary's observation-orientation-decision-action time cycle. By the time your adversary observes what he thinks you are doing, orients himself to it, decides what to do, and takes action, "it" will be too late.

Internally, several key issues are basic to good management psychology:

Morale: Napoleon said, "The moral is to the physical as three is to one." The word "moral" refers to a worthwhile cause, a belief that what we are fighting for is just and right. It is the "moral cause" that produces high morale.

The moral issues required in business are both the moral courage to make the right decisions and act on them, and the leadership style that helps make everyone feel good about himself or herself. The business equivalent of the military courage is confidence. However, confidence must be based on knowledge and experience.

Attitude: A positive outlook and a cool head are the foundation of a good attitude.

Physical: Keep yourself physically fit and nurture a healthy business environment.

Adapt to Circumstances: No plan can see beyond the first engagement. Although it is important to follow the plan, it is equally important to know when and how to modify the plan.

Rewards: Internal motivators include profit sharing, gain sharing, glory sharing, and fame sharing. The simple pat on the back can accomplish much.

Yogi Berra purportedly said about baseball, "Ninety percent of this game is half mental." How often we hear that golf and tennis are mental games. So it is in business. The mental advantage begins with the warm confidence of a positive attitude.

Chapter Eight
Variation Of Tactics

Strategic Rules

Consider Tactical Options
Prepare Adequate Defenses
Avoid the Faults of Leadership

Strategy determines direction. The actual execution of the plan to achieve objectives is called tactics which begins with contact. Internally, that contact may be with the development or production process of a product or service. Externally, that contact is usually with a customer. The contact makes personal relationships an important issue in tactics and explains why tactics must vary. At the point of contact, unpredictable personal equations become part of the scene.

While strategic principles are unchanging for all time, tactics vary with the times and circumstances. Since tactics is the execution of the strategy, tactics must always be tuned to current situations.

The purpose of tactical maneuvering is to relocate the battle to a place where superiority can be obtained. In a study of 300 military campaigns, in only six was a decisive result achieved by a direct frontal approach to the main army of the enemy. What would make one think the results would be different in any other situation? Although the thought is appealing to many, the highly touted "headon attack" has been spectacularly unsuccessful. The most successful tactics are usually based on some form of maneuver.

Strategies at any level are the tactics of the next lower level in the chain of command. The best tactical school is experience. And the people with prior experience in their industry have the soundest tactical foundation.

As you shape tactical options, focus on the customer. The key to your success is what the customer wants, not what you can do.

Consider Tactical Options

Sun Tzu says:

Generally, in war, the general receives his commands from the sovereign, assembles troops and mobilizes the people. When on grounds hard of access, do not encamp. On grounds intersected with highways, join hands with your allies. Do not linger on critical ground. In encircled ground, resort to stratagem. In desperate ground, fight a last-ditch battle.

There are some roads which must not be followed, some troops which must not be attacked, some cities which must not be assaulted, some ground which must not be contested, and some commands of the sovereign which must not be obeyed.

Hence, the general who thoroughly understands the advantages that accompany variation of tactics knows how to employ troops.

The general who does not is unable to use the terrain to his advantage even though he is well acquainted with it. In employing the troops for attack, the general who does not understand the variation of tactics will be unable to use them effectively, even if he is familiar with the Five Advantages.

A wise general in his deliberations must consider both favorable and unfavorable factors. By taking into account the favorable factors, he makes his plan feasible; by taking into account the unfavorable, he may avoid possible disasters.*

Another translator explains favorable factors as an opportunity:

> **In the midst of difficulties we should ever be ready to grasp every opportunity so that our object may be obtained. In a favorable situation, we should be alert in detecting our weakness so that we may avoid misfortune.*
> Tai Mien-leng

Consider Tactical Options

Victory depends on our strength, which we control, and the opportunities provided by our opponent, which we cannot control.

At Microsoft, senior managers meet nightly in a triage meeting during the final months of the software development process. Triage is a ruthless assessment that determines priorities for immediate action. In the Microsoft meeting, managers representing all perspectives are engaged in a power interchange. People voice their point of view, and the group negotiates a decision. "Is this the hill we want to die on?" is the key question that makes trade-offs clear. Decisions are immediately communicated so everyone can get on with his or her work. 1

Philip Knight, cofounder of Nike, wrote a graduate thesis at Stanford University. The title was: "Can Japanese Sport Shoes Do to German Sport Shoes What Japanese Cameras Did to German Cameras?" A year later he was in the shoe businessthe rest is history. He knew where he wanted to go and had a sense of how he could adopt different tactics in the sports shoe business.

Because victory is dependent upon both our actions and those of our opponent, maximum effort does not ensure a competitive victory. This situation can be readily seen in every sporting event where maximum effort on the playing field is exerted by every participant.

Tactical flexibility is the hallmark of many organizations with a reputation for customer service. That is, within guidelines, associates can take whatever action is necessary to serve the customer.

In the complexity of the business environment, an organization may be on the offensive with one product or service and on the defensive with another. The same strategies and tactics cannot be used for all circumstances. The question is how much time the manager should spend shoring up weaknesses as opposed to maximizing strengths. The options differ depending upon whether we are attacking or defending. That the low-cost competitor and the high-end producer must adopt different tactics becomes obvious when you scan the ads in a newspaper or magazine.

Regardless of the strategic and tactical circumstances, the spirit of the offense must always prevail.

Prepare Adequate Defenses

Sun Tzu continues:

What can subdue the hostile neighboring rulers is to hit what hurts them most: what can keep them constantly occupied is to make trouble for them; and what can make them rush about is to offer them ostensible allurements.

It is a doctrine of war that we must not rely on the likelihood of the enemy not coming, but on our own readiness to meet him; not on the chance of his not attacking, but on the fact that we have made our position invincible.*

Strengthening the Defense

Other translators comment on preparing a defense:

> **Fundamentals in the use of forces are: do not rely on their not approaching, but rely on our readiness against them; do not rely on their not attacking, but rely on our readiness which cannot be attacked.*
> J. H. Huang

> **Do not depend on the enemy not coming; depend rather on being ready for him. Do not depend on the enemy not attacking; depend rather on having a position that cannot be attacked.*
> Roger Ames

Strengthening the defense does not mean maintaining the status quo. After the machine gun had been in use for some time, the French Chief of Infantry said to Parliament, "Make no mistake, this weapon will change nothing." General John J. (Blackjack) Pershing noted that the arrival of the airplane provided an excellent and efficient means of getting oats to horses!!!

Too often what happens in the implementation of new military and business tools (i.e., quality management) is that the new is simply overlaid on old doctrine and structure. World competition is a powerful new force moving quickly to challenge keepers of the old paradigm. But human nature being what it is, there will always be a struggle to maintain the status quo. 2

Prepare Adequate Defenses

The best defense is a good offense.

"We will encircle Caterpillar and become the dominant producer in the industry," declared Komatsu a decade ago. Many observers predicted that Caterpillar would join the long list of American corporations that have fallen to the Japanese.

After surviving Komatsu's attack, Donald Fites, chairman and CEO of Caterpillar, said, "The biggest reason for Caterpillar's success has been our system of distribution and product support and the close customer relationships it fosters." The backbone of that system is a long history of quality relationships by Caterpillar with its world network of independent dealers. So when Komatsu's attack began, the strongest unit of defense, the dealer structure, was in place. Of course, this alone was not enough to overcome Komatsu's cost advantage; Caterpillar also had to make the organization flatter, meaner, and leaner. However, Komatsu could not overcome the marketing strength provided by Caterpillar's network of dealers with strong customer contacts. Understanding the strength of personal relationships has long been a weakness of the Japanese. Today, Caterpillar's share of the world market for construction and mining equipment is the highest in its history. 3

Smaller companies or brands have achieved a strong defense by owning very strong positions in a niche or particle segment of a product line or business. When they own a position in the customer's mind, they can hold off the big competitors. Witness Makers Mark in bourbon, Danner in boots, and regional grocers or pizza parlors in your home town.

Even on the defensive, the rule is to seek every opportunity to seize the initiative and achieve results by offensive action. When you are constantly in a defensive posture, you seldom can win. If you stop the attack, there will be another one.

Too often, the strategy that strengthens the defense is characterized by finding some way to redesign your existing product instead of getting out in front of the trend or the technology. The mistake is to try to serve the old market better in a new way instead of going where the market is growing. The defensive is not achieved by building better buggy whips.

Avoid the Faults of Leadership

Sun Tzu continues:

There are five dangerous faults which may affect a general:

If reckless, he can be killed;

if cowardly, captured;

if quick-tempered, he can be provoked to rage and make a fool of himself;

if he has too delicate a sense of honor, he is liable to fall into a trap because of an insult;

if he is of a compassionate nature, he may get bothered and upset.*

These are the five serious faults of a general, ruinous to the conduct of war. The ruin of the army and the death of the general are inevitable results of these five dangerous faults. They must be deeply pondered.

Other translators' versions of the faults that may affect a general:

Avoid the Faults of Leadership

Flaws in the personal character of the commander will cause opportunities to be lost.

Chainsaw Al Dunlap got his reputation by staging massive cutbacks in personnel at Scott Paper. When the same approach didn't work at Sunbeam, he tried sales and accounting gimmicks to bolster results. Soon he was asked to exit.

Jim McCann, as president of 1-800-FLOWERS, tells about the lesson he learned from General Electric CEO, Jack Welch. He had to fire a senior person that everyone knew wasn't right for the job. The guy was a friend, and the prospect of action was brutal. He met Welch at a dinner party and told him about the situation. Welch's response was, "When was the last time anyone said, 'I wish I had waited six months longer to fire that guy?'" 4

Peers and subordinates will discover the ineffective manager long before his or her seniors do. The interactions resulting from the discovery will reduce this person's effectivenessand the effectiveness of the organization.

Here are business parallels to Sun Tzu's character flaws:

Reckless (no forethought): The reckless manager does not understand how to use data. He shoots from the hip. When he wins, it is simply because he did something rather than because he did the right thing.

Cowardly (self-protective or afraid): The person who is afraid to take risks, takes the greatest risk of all. He or she is like McClellan in the Civil War who was so fearful of losing he could not win.

Quick-Tempered (too easily angered): Reference has been made to the importance of a cool head. Managers who have a reputation for shooting the messenger don't get much bad information and don't know what is really going on.

Delicate Honor (exaggerated sensitivity): The issue here is one of being too easily embarrassed, taking things personally, or letting ego get in the way.

Too Compassionate (too concerned): Those who have this fault are so concerned about the reactions of people, they make short-term decisions to keep harmony and end up with a long-term disaster. In their compassion they leave people "twisting slowly in the wind" when the kindest thing they could do is to make the hard decision.

Chapter Nine
On The March

Strategic Rules

Occupy Strong Natural Positions
Always Seek the High Ground
Make an Estimate of the Situation
Discipline Can Build Allegiance

Strategically, a secure position establishes a base for the offensive. Tactically, this position helps you use your natural strengths. Positions where you can occupy a key strong point are important in every endeavor. There are only a few leaders in each industry; everyone else marches in their shadow.

In order for a position to be secure, we must "own" it. We "own" a position because of a perceived strengththe perception *is* indeed the reality. People accept only that which is consistent with what they already know as they pyramid perceptions about the position of a product or service.

All positions are in the mind. The entry into the mind is through emotions, not logic. Logic sounds most convincing to the presenter; it is emotions that cause one to change positions. In coveting competitive positions, the first rule is: it's very, very difficult to move into a position occupied by someone else.

To build a strong position, you must first determine what position you want and who you want your customers to be; and then figure out how you are going to meet the needs of those customers better than anyone else.

In business, the most secure positions are owned by those with a loyal base of customers. Premier positions are earned by organizations with systems for really listening to their customers and focusing resources on meeting or exceeding needs in a manner that delights customers. The idea is to make customers so happy that not only do they not buy anything else, they don't even think of buying anything else.

However, the more secure your position seems to be, the greater can be the danger. When you feel most secure, you are most vulnerable to surprise.

Occupy Strong Natural Positions

Sun Tzu says:

Generally, when an army takes up a position and sizes up the enemy situation, it should pay attention to the following:

When crossing the mountains, be sure to stay in the neighborhood of valleys; when encamping, select high ground facing the sunny side; when high ground is occupied by the enemy, do not ascend to attack. So much for taking up a position in mountains.

After crossing a river, you should get far away from it. When an advancing invader crosses a river, do not meet him in midstream. It is advantageous to allow half his force to get across and then strike. If you wish to fight a battle, you should not go to meet the invader near a river which he has to cross. When encamping in the riverine area, take a position on high ground facing the sun. Do not take a position at the lower reaches of the enemy. This relates to positions near a river.

In crossing salt marshes, your sole concern should be to get over them quickly, without any delay. If you encounter the enemy in a salt marsh, you should take position close to grass and water with trees to your rear. This has to do with taking up a position in salt marshes.

On level ground, take up an accessible position and deploy your main flanks on high grounds with front lower than the back. This is how to take up a position on level ground. These are principles for encamping in the four situations named. By employing them, the Yellow Emperor conquered his four neighboring sovereigns.

The Advantage of Natural Positioning

In the *Science of War,* Colonel Henderson wrote:

"...by no means sufficient importance is attached to the selection of positions...and to the immense advantages that are to be derived from the proper utilization of natural features."

Occupy Strong Natural Positions

Find the strength of natural positions that cannot easily be occupied by your opponents.

Experienced travelers know that Singapore Airlines is one of the best overseas carriers, and Midwest Express has the most comfortable domestic coach seats. Travelers also know that Ritz-Carlton and Four Seasons have earned natural high-end positions in lodging, and Fairfield and Hampton Inns are in sound value positions.

In Beijing, China, a member of the government travel service commented to me about hotels saying, "Our hardware is better than our software." He was referring to the new hotel buildings as the better hardware, and the service experience as the poorer performing software. When the overall perception is of mediocre service, no physical elegance will change that position.

Marks & Spencer dominates retailing in England the way no one company does in the U.S. Every week 14 million people walk into one of its 250 stores. Its Marble Arch store is in the *Guinness Book of Records* for the most volume per square foot. Everything in the store is sold under one brand name, St. Michael. With this single, private brand, it sells 40 percent of the underwear and 20 percent of all hosiery sold in England.

Many companies are gaining strength by falling back to their roots. At these core positions they have the most inherent natural strength. What we "are" is based on the perception of what we "have been." Over time, we "are" what we really are. We, ourselves, or our product or service can't be something else. Everyone who has tried to win by copying has failed. The failure in copying is often in not understanding the subtleties. To change your position in the customer's mind over time, you must change who you really are.

Efforts focused on reinforcing your natural position make it easier to communicate your position. When you say that you are what you really are, the believable message gets through to your audience.

Going up the positioning ladder to achieve a stronger share of mind requires a well conceived plan. Coming down is what happens when you are not going up. Ask any former sports star like good old "what's his name."

Always Seek the High Ground

Sun Tzu continues:

Generally, in battle and maneuvering, all armies prefer high ground to low, and sunny places to shady. If an army encamps close to water and grass with adequate supplies, it will be free from countless diseases and this will spell victory. When you come to hills, dikes, or embankments, occupy the sunny side, with your main flank at the back. All these methods are advantageous to the army and can exploit the possibilities the ground offers.

When heavy rain falls in the upper reaches of a river and foaming water descends, do not ford and wait until it subsides. When encountering 'Precipitous Torrents,' 'Heavenly Wells,' 'Heavenly Prison,' 'Heavenly Net,' 'Heavenly Trap,' and 'Heavenly Cracks,' you must march speedily away from them. Do not approach them. While we keep a distance from them we should draw the enemy toward them. We face them and cause the enemy to put his back to them.

If in the neighborhood of your camp there are dangerous defiles or ponds and low-lying ground overgrown with aquatic grass and reeds, or forested mountains with dense tangled undergrowth, they must be thoroughly searched, for these are possible places where ambushes are laid and spies are hidden.

The High Ground

The most desirable position in war has always been the high ground controlling the surrounding terrain. Frederick the Great referred to selection of positions as the talent of great menthe ability immediately to conceive all the advantages of the terrain. He said, "The first rule that I give is always to occupy the heights."

Always Seek the High Ground

The high ground is the strongest position.

The high ground in business today is owned by names with brand strength like Microsoft in software, Coca-Cola in soft drinks, Nike in athletic shoes, and McDonald's in fast foods.

Attaining the high ground is one battle and keeping it is another. In the battle for dominance of browsers in the World Wide Web, Netscape got to the high ground in market share by giving away free product. Then, Microsoft entered the market with free software while Netscape started to charge for its browser and down went Netscape's market share.

Apple gained the high ground in desktop publishing and image/graphic handling ability. Then it frittered this leadership position away through complacent, arrogant tactics. Now it's fighting back for a stronger position.

Jelly Belly, with 75 percent of the gourmet jelly bean market, is trying to increase its market share even more by selling through major grocery chains. The concern is that this expanded distribution may affect the brand name cachet and upset its current distribution channels.

Each of these brands faces the problem that market share is either increasing or decreasing. There's no such thing as staying exactly where you are. You either get bigger or you get smaller.

In the military, positioning is occupying a key strong point in the terrain. In business, positioning is occupying a key strong point in the mind. You "own" a position in the mind either because you are the leader or because of significant differentiation. The unique taste of Dr. Pepper provides a significant differentiation, as does the unique marketing approach of Tom and Jerry's ice cream.

The worst position of all may be not to have a position. That's the struggling brand name you've never heard of. In the final analysis it is the perceptions of the market that actually position the brand.

In every industry, the action of moving up in market share erodes the competitor's base. This dysfunction forces displaced competitors to compete for lesser positions that offer even smaller profits. As market positions change, the one who captures the high ground gets the large revenue base and all the accompanying advantages. Similarly, the loser's losses are cumulativenegatively.

Make an Estimate of the Situation

Sun Tzu continues:

When the enemy is close at hand and remains quiet, he is relying on a favorable position. When he challenges battle from afar, he wishes to lure you to advance; when he is on easy ground, he must be in an advantageous position. When the trees are seen to move, it means the enemy is advancing; when many screens have been placed in the undergrowth, it is for the purpose of deception. The rising of birds in their flight is the sign of an ambuscade. Startled beasts indicate that a sudden attack is forthcoming.

Dust spurting upwards in high straight columns indicates the approach of chariots. When it hangs low and is widespread, it betokens that infantry is approaching. When it branches out in different directions, it shows that parties have been sent out to collect firewood. A few clouds of dust moving to and fro signify that the army is camping.

When the enemy's envoys speak in humble terms, but the army continues preparations, that means it will advance. When their language is strong and the enemy pretentiously drives forward, these may be signs that he will retreat. When light chariots first go out and take positions on the wings, it is a sign that the enemy is forming for battle. When the enemy is not in dire straits but asks for a truce, he must be plotting. When his troops march speedily and parade in formations, he is expecting to fight a decisive battle on a fixed date. When half his force advances and half retreats, he is attempting to decoy you.

When his troops lean on their weapons, they are famished. When drawers of water drink before carrying it to camp, his troops are suffering from thirst. When the enemy sees an advantage but does not advance to seize it, he is fatigued.

When birds gather above his camp sites, they are unoccupied. When at night the enemy's camp is clamorous, it betokens nervousness. If there is disturbance in the camp, the general's authority is weak.

Make an Estimate of the Situation (continued)

Sun Tzu continues:

If the banners and flags are shifted about, sedition is afoot. If the officers are angry, it means that men are weary. When the enemy feeds his horses with grain, kills the beasts of burden for food and packs up the utensils used for drawing water, he shows no intention to return to his tents and is determined to fight to the death.

When the general speaks in meek and subservient tone to his subordinates, he has lost the support of his men. Too frequent rewards indicate that the general is at the end of his resources; too frequent punishments indicate that he is in dire distress. If the officers at first treat the men violently and later are fearful of them, it shows supreme lack of intelligence.

When envoys are sent with compliments in their mouths, it is a sign that the enemy wishes for a truce.

When the enemy's troops march up angrily and remain facing yours for a long time, neither joining battle nor withdrawing, the situation demands great vigilance and thorough investigation.

In war, numbers alone confer no advantage. If one does not advance by force recklessly, and 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. He who lacks foresight and underestimates his enemy will surely be captured by him.*

Another translator reinforces the importance of the leader's skill in making an estimate of the situation:

> **There is no necessary advantage in numbers. Do not rush forward rashly, but if you calculate the forces of the enemy and then arrange your own strength accordingly you will win. But those who underrate a foe will certainly finish up as prisoners.*
> A. L. Sadler

Make an Estimate of the Situation

Estimate of the Situation
(As Used by U.S. Army Officers)

1. Mission (assigned or deduced)
2. The Situation and Courses of Action
   a. Considerations Affecting the Courses of Action (other operations, environment, enemy, friendly, etc.)
   b. Anticipated Difficulties
3. Analysis of Courses of Action
4. Comparison of Courses of Action
5. Decision = Commander's Concept or Intent

Questions to Determine Your Position

What position do we own?
What position do we want?
Who do we have to outmaneuver?
How much resource expenditure and time will it take?
Can we stick it out?
Will the results justify the expense?

Questions to Determine Your Opponents' Position

What position do they own?
What signals indicate they are changing or strengthening their position?
What position do they want? (Where are they going?)
What will be the effect on us if they are successful in their current activities?
What will be the opportunities for us if they are unsuccessful?

Make an Estimate of the Situation

Carefully observe the situation and attack only where real superiority can be obtained.

Amazon.com grew out of founder Jeff Bezos' personal mission to be in business for himself. His course of action was determined when he learned that annual growth on the Web was predicted at 2,200 percent and books were an $82 billion market. He analyzed the opportunity for innovative computerized marketing and decided that the Seattle area would be a good hi-tech base. 1

General Paul Cerjan, retired U.S. Army, explains how he uses the steps in conducting the Estimate of the Situation (see facing page) as a great tool for the rapid estimate of any contingency. First, you need to determine the mission. Then, you start thinking what course of action I'm going to take. Then, you work that all the way down until you get to the decision and from that flows the operations order. That's the specific orders to people on what you want done.

The Estimate of the Situation can be a rapid estimate or more lengthy analysis. We unconsciously do it in personal interfaces and more consciously estimate the situation prior to issuing plans.

I have observed real differences between the way managers from Western and Eastern civilizations gather information to make an Estimate of the Situation. The Western manager is more likely to do a quick study while the Eastern manager will often do a thorough, lengthy analysis.

There are a variety of readily perceived indicators that can help you estimate the situation. These indicators signal the competitive strategy and vulnerability. The breadth of these signals can be understood from one of Sun Tzu's translators who identified 33 different signs of enemy activity by Sun Tzu in this chapter.

In personal interfaces, these indicators are called body language. Crossed arms indicate opposition. Someone leaning forward and listening indicates intent acceptance. A furrowed brow signals that you proposition is being questioned.

In business situations, the signals are also subtly visible. For example, in publicizing pricing moves, companies are signaling their desire to raise prices to others in the industryand may reduce prices if competitors reject the signal.

All of these overt signals help the observant manager develop an accurate estimate of the situation. While one does not want to overestimate the opponent, it can be disastrous to underestimate.

Discipline Can Build Allegiance

Sun Tzu continues:

If troops are punished before they have grown attached to you, they will be disobedient. If not obedient, it is difficult to employ them. If troops have become attached to you, but discipline is not enforced, you cannot employ them either. Thus, soldiers must be treated in the first instance with humanity, but kept under control by iron discipline. In this way, the allegiance of soldiers is assured.

If orders are consistently carried out and the troops are strictly supervised, they will be obedient. If orders are never carried out, they will be disobedient. And the smooth implementation of orders reflects harmonious relationship between the commander and his troops.*

The Role of Discipline

Another translator clarifies:

> **If in training soldiers commands are habitually enforced, the army will be well-disciplined; if not, its discipline will be had. If a general shows confidence in his men but always insists on his orders being obeyed, the gain will be mutual.*
> Lionel Giles

Colonel Ardant du Picq writes:

> What makes the soldier capable of obedience and direction in action, is the sense of discipline. This includes: respect for and confidence in his chiefs; confidence in his comrades and fear of their reproaches if he abandons them in danger; his desire to go where others do without trembling more than they; in a word, the whole of esprit de corps. Organizations only can produce these characteristics. Four men equal a lion.

Discipline Can Build Allegiance

Apply the same standards to everyone.

When home run king Henry Aaron was asked the difference between a good team and a great team, he replied promptly, "discipline." With the discipline comes a warm concern for people.

The ideal leader is best described as one who combines excellence as a task specialist with an equal flair for the human aspects of leadership. He or she understands that it is people rather than techniques that really count.

The manager does not have to be liked; however, he does not have to be disliked. Being fair and impartial does not mean being impersonal. However, hard decisions must be made. When they are not made, the manager abdicates his authority.

What manager does not have his political favorites, perceived with envy by others less favored? Therein lies a complex problem: These politicians are often perceived as delivering bad information to the boss who, in turn, is perceived as delivering bad orders.

When standards for the performance of each process are established and clearly communicated, then managers can issue praise or criticism based on performance against that standard. The general manager of one of the fine hotels of the world explained to me his reason for having standards, "Maintaining known standards keeps me from playing favorites and being criticized for playing favorites." While we find a system of standards and measures in manufacturing processes, many other office or service processes operate without clearly defined standards. Too often, where there are no standards, criticism and penalties are imposed at the whim of management. The result is confusion and low morale.

As a manager at Burger King, Herman Cain tells how he set a standard for friendly service with the "Happy B.E.E.'s." The B stood for "Bad moods stay home." The E's signified, "Eye contact with customers. Everyday." This success with motivational discipline earned Cain an increase in business and a promotion up the ladder. 2

High standards that are consistently maintained create the environment where discipline is effective and accepted. In these circumstances, morale is high.

Chapter Ten
Terrain

Strategic Rules

Know Your Battlefield
Obey the Laws of Leadership
Fight Only the Battles You Can Win
Know Yourself; Know Your Opponent

Terrain is perhaps one of the most overused words in the translations of Sun Tzu. We will define "terrain" to mean "your area of operations"either internal or external.

Management by wandering is essential to success. Managers wander around not *to manage*, but rather so they *can manage*. By wandering around, managers get a feel for what's happening now. Since many decisions are made at gut level, this "feel" helps process information so managers can determine a successful course of action based on real knowledge of the scene of action. Too often, we find decisions being made by smart people who know nothing about the situation.

Our bias for what we know can lead to misconceptions about the world around us. As Ralph E. Gomory, president of the Sloan Foundation, said, "We are all taught what is known, but we rarely learn about what is not known; and we almost never learn the unknowable." The point is there is a lot of information outside of our "terrain." Expanding our knowledge base expands our horizon of possibilities.

Formal input systems for information are essential. However, so are informal systems. The most informal system is when anyone visits with his or her "customer"the customer being defined as the person who receives your process.

Internally, the person who receives your process is also a customer. We are often organized into functional departments, and these departments become competitors. Since we don't talk to competitors, there is no communication. The solution must be to achieve linkage between all processes and align them to deliver value to the ultimate customer. Until we focus all processes on the needs of the customer, the enemy will continue to be "us."

Know Your Battlefield

Sun Tzu says:

Ground may be classified according to its nature as accessible, entangling, temporizing, constricted, precipitous and distant.

Ground which both we and the enemy can traverse with equal ease is called accessible. On such ground, he who first takes high sunny positions, and keeps his supply routes unimpeded can fight advantageously. Ground easy to reach but difficult to exit is called entangling. The nature of this ground is such that if the enemy is unprepared and you sally out, you may defeat him. But, if the enemy is prepared for your coming, and you fail to defeat him, then, return being difficult, disadvantages will ensue.

Ground equally disadvantageous for both the enemy and ourselves to enter is called temporizing. This ground is such that even though the enemy offers us an attractive bait, it will be advisable not to go forth but march off. When his force is halfway out because of our maneuvering, we can strike him with advantage. With regard to the constricted ground, if we first occupy it, we must block the narrow passes with strong garrisons and wait for the enemy. If the enemy first occupies such ground, do not attack him if the pass in his hand is fully garrisoned, but only if it is weakly garrisoned.

With regard to the precipitous ground, if we first occupy it, we must take a position on the sunny heights and await the enemy. If he first occupies such ground, we should march off and do not attack him. When the enemy is situated at a great distance from us, and the terrain where the two armies deploy is similar, it is difficult to provoke battle and unprofitable to engage him.

These are the principles relating to six different types of ground. It is the highest responsibility of the general to inquire into them with the utmost care. Conformation of the ground is of great assistance in the military operations. It is necessary for a wise general to make correct assessments of the enemy's situation to create conditions leading to victory and to calculate distances and the degree of difficulty of the terrain. He who knows these things and applies them to fighting will definitely win. He who knows them not, and, therefore, is unable to apply them, will definitely lose.

Know Your Battlefield

Thorough knowledge of the scene of action is an absolute requirement.

If you were fishing in the Southwest some years ago, you might have been approached by two Orientals in a pickup truck offering to clean your rod and reel. They would ask questions about your preferences in fishing equipment. Today, the Japanese are major factors in this market.

Your market is those whom you must persuade to buy your product, service, or idea. The admonition to know your market may seem too basic. However, it is the basics we so often miss. To know your "market," you must listen to your "customers." To listen effectively, you must ask questions to probe for information.

The big question is: "What do we need to know to make the required decision?" If we do not know what we need to know, then everything looks like important information. It becomes impossible to sort the useless from the useful.

Often, we are told what someone thinks we want to hear. Just as often, our bias from prior knowledge keeps us from finding the truth. That is why time must be spent in the "market" finding out what's going on so we know what questions to ask. When we ask the wrong questions, the answers don't make any difference.

Napoleon used both his regular army intelligence system and a focused intelligence telescope of select senior officers to gather information. Senior officers were given wide latitude to report on "anything that might interest me." Junior officers in his regular system were sent on more specific missions. He deliberately kept his telescope staff small in order to establish personal contact with these messengers. The personal contact helped him evaluate the information he received.

This focused telescope overcomes the common problem of intelligence bureaucracies. Too often, information that gets to the senior commanders is filtered through the chain of command and becomes less and less specific. The result is overgeneralization of information; consequently, those in command know the least about what is really happening. The manager's solution to interpreting how to use data is always to spend time with the customer.

Obey the Laws of Leadership

Sun Tzu continues:

There are six situations that cause an army to fail. They are: flight, insubordination, fall, collapse, disorganization, and rout. None of these disasters can be attributed to natural and geographical causes, but to the fault of the general.

Terrain conditions being equal, if a force attacks one ten times its size, the result is flight.

When the soldiers are strong and officers weak, the army is insubordinate.

When the officers are valiant and the soldiers ineffective, the army will fall.

When the higher officers are angry and insubordinate, and on encountering the enemy rush to battle on their own account from a feeling of resentment and the commander-in-chief is ignorant of their abilities, the result is collapse.

When the general is incompetent and has little authority, when his troops are mismanaged, when the relationship between the officers and men is strained, and when the troop formations are slovenly, the result is disorganization.

When a general unable to estimate the enemy's strength uses a small force to engage a larger one or weak troops to strike the strong, or fails to select shock troops for the van, the result is riot.

When any of these six situations exists, the army is on the road to defeat. It is the highest responsibility of the general that he examine them carefully.

If a general regards his men as infants, then they will march with him into the deepest valleys. He treats them as his own beloved sons and they will stand by him unto death. If, however, a general is indulgent towards his men but cannot employ them, cherishes them but cannot command them or inflict punishment on them when they violate the regulations, then they may be compared to spoiled children, and are useless for any practical purpose.

Obey the Laws of Leadership

Winning is the responsibility of the leader.

The following characteristics define good command systems:

Decentralization: People have the authority needed to achieve objectives except for that which is expressly forbidden. This reduces the need for detailed control and frees the time of leaders at all levels. Every leader commands his own unit; every subordinate knows from where to expect his instructions.

Freedom: To generate independence, freedom must be delegated through the chain of command. The system doesn't work when middle managers become infatuated with their own power and fail to give up power as they are given more power in a decentralized command system.

Information Processing: When senior managers give up control, they must also give up some information flow. If not, subordinates will spend too much time reporting to be effective. The task of senior management is not to confirm plans in detail; rather, it is to encourage greater speed.

Stability: People relationships and informal systems give stability to the structure.

Mutual Trust: The interaction of long-standing relationships creates mutual trust. The replacement system that brings in new personnel should be structured to help create the familiarity that is an indispensable prerequisite of both reliability and trust.

A Willingness to Assume Responsibility: To train people to accept responsibility, authority must be delegated. A decentralized system leaves much to the discretion of individual commanders and puts responsibility squarely on their shoulders.

The Right and Duty of Subordinate Commanders to Make Decisions and Carry Them Out: Freedom is granted to allow managers to make decisions and utilize available resources to find the best way to the objective.

Expect the Unpredictable: Expect that plans will break down, that your opponent will behave in an unexpected manner, and that units will not achieve their objectives. Don't try to overcome the confusion by pausing to regroup after each breakdown. Keep everyone marching in the right direction.

Training: Every manager manages the training of his personnel. This does not mean that he conducts all sessions. It does mean that he has the basic responsibility for training. 1

Fight Only the Battles You Can Win

Sun Tzu continues:

Hence, if, in the light of the prevailing situation, fighting is sure to result in victory, then you may decide to fight even though the sovereign has issued an order not to engage.

If fighting does not stand a good chance of victory, you need not to fight even though the sovereign has issued an order to engage.

Hence, the general who advances without coveting fame and retreats without fearing disgrace, whose only purpose is to protect his people and promote the best interests of his sovereign, is the precious jewel of the state.

Initiating the Battle

There are two mental approaches to launching the attack:

1. *Plan everything in detail and then start going*. The battle of the Somme was one of the most thoroughly organized in history. The final deployment of the British attacking force took four months and was a masterpiece of scientific management. Every unit reached its starting position on time. The result was not victory, but rather one of the worst catastrophes to befall an army in the history of war. The casualties the first day exceeded 60,000 men.
2. *Lay down general objectives only and start immediately*. The details are filled in as the attack gains momentum. This system is used by the Israeli Defense Force. 2

It would seem the choice is either to *do it now* or spend time preparing to *do it later*. How difficult it is to achieve the careful balance between getting ready and getting going. The best odds for success lie on the side of action. Most often, the person who does something has the best opportunity to become master of the situation.

Fight Only the Battles You Can Win

First understand the situation, then determine whether to fight and how.

Every executive encounters the decision of where and how to expend energy in two primary areas: the political arena and performance of his assigned tasks (either internal or external depending on job function).

The political battles can be the most time consuming and debilitating. The larger the organization, the bigger is the political morass. Halberstam explains one type of conflict in his description of conflict at Ford Motor Company in *The Reckoning:* "The growing power of the finance people made the creative people more vulnerable than ever. For the creative people always, no matter how good they were, made mistakes. No product man was perfect; for every model that was a success, there were others best forgotten. By contrast, the finance men were careful. They were never identified with a particular product. They never had to create anything. In meetings they attacked but never had to defend, while the product people defended and could never attack."

In internal politics, while defending your position, target your battle against systems instead of individuals. The person you attack may someday be your boss.

In determining where to fight external battles, keep your orientation focused on effectiveness. Where can you add value and win? The larger the target the bigger will be the results. You cannot be strong everywhere; you must determine where you are going to put your main effort and then exercise the discipline that allocates resources, directly and indirectly, to support this main effort.

If we are not effective, we have no need to be efficient. Ask Ford about its Edsel, Gerber about its failed venture into adult foods, or the corner grocer who went out of business.

Market testing is an option that allows you to determine whether to launch a full-scale offensive. Your first objective in a test is to determine whether the concept works. Apply full resources to the effort. If the test fails when backed with adequate resources, you know you must abandon the effort. If it succeeds, you can adjust to make it profitable. Half-hearted tests tell you nothing.

We need to be efficient, but not at the expense of the resources needed to achieve success. An inefficient victory is bad, but not as bad as losingwhich is extremely inefficient.

Know Yourself; Know Your Opponent

Sun Tzu says:

If we know that our troops are capable of striking the enemy, but do not know that he is invulnerable to attack, our chance of victory is but half.

If we know that the enemy is vulnerable to attack but do not know that our troops are incapable of striking him, our chance of victory is again but half.

If we know that the enemy can be attacked and that our troops are capable of attacking him, but do not realize that the conformation of the ground makes fighting impracticable, our chance of victory is once again but half.

Therefore, when those experienced in war move, they are never bewildered; when they act, they are never at a loss. Thus the saying: Know the enemy and know yourself, and your victory will never be endangered; know the weather and know the ground, and your victory will then be complete.

Now, the key to military operations lies in cautiously studying the enemy's designs. Concentrate your forces in the main direction against the enemy and from a distance of a thousand li you can kill his general. This is called the ability to achieve one's aim in an artful and ingenious manner.

Visible and Invisible Numbers

Even when accurate, statistics can never substitute for looking someone in the eye when you get the answer to your question.

Dr. W. Edwards Deming, who championed statistical quality control as a key ingredient of a quality methodology, commented that some managers look only at the visible numbers. He said, "...but the visible numbers tell them so little. They know nothing of the invisible numbers. Who can put a price on a satisfied customer and who can figure out the cost of a dissatisfied customer."

How easy it can be to stroke ourselves with our own convictions and ignore the signals. The process can be a spiral that ends in disaster.

Know Yourself; Know Your Opponent

Know the strengths and weaknesses of your adversary.

When I visited the Philips office in Sao Paulo, Brazil, a senior manager told me that he employed a Japanese descendant as a secretary because she could read the Japanese papers ordered from Tokyo. Caterpillar understands this in Peoria because it knows the Peoria paper is delivered daily by air to its competitors in Japan.

Communications are making the world smaller and world competitors better informed. The cost of a three-minute call from New York to London has decreased from over $200 in 1930 to about $2 today. An e-mail sent to anywhere in the world is often at no additional expense because the contact time is part of the monthly fee. The fax has made it possible to send pages of detailed information. For most companies, market research has expanded from domestic to world markets because we can sell to the world and the world can sell anywhere.

There are countless people who call on you who also call on your competitor. The editors of trade magazines know what is going on in the industry. The suppliers who call on purchasing agents know who is buying more and who is buying lessand why. Advertising and promotion agents are another source. So are people who come for job interviews. Beware of the supplier who tells you everything about your competitor because he is also telling your competition about you.

Business executives changing jobs will bring their preferences in methodologies with them. They will usually clone the style of their previous organization. You can predict what they will do by where they have been. Look at both the issues and personalities. Review the situation in terms of historywho did something like this before, what happened. Look at the personalities in terms of their background of experience.

Knowledge of the personal style of competitors is the easy part. Knowledge of one's self is the hard part. The higher the rank, the more difficult it is to get true feedback on one's actions. Don't expect it from anyone internally. To get the truth, you must find an external guru who will hold up the mirror and give you an honest picture.

Chapter Eleven
The Nine Varieties Of Ground

Strategic Rules

Choose a Favorable Battleground
Shape Your Opponent's Strategy
Make Victory the Only Option
Plan Coordinated Efforts
Press the Attack
Learn Winning Ways

An ancient proverb says the first blow is as much as two. The attack has the advantage of the initiative. Since it forces action on the opponent, it relegates him to second place. The morale of the aggressor is also strengthened.

Offensive action must be a continuing process. Only then does it permit you to maintain freedom of action, meet unexpected developments, and determine the course of action.

Tactical considerations influence strategic plans. That is, you may need to launch your offensive where it is tactically possible, not where it is strategically desirable. For example, a company with a high-end product strategy might determine that success with a specific product in a mid-priced position is more readily attainable.

Two important components of the successful campaign are to strengthen customer value and know your opponent's strengths and weaknesses. In the attack, a fundamental principle is to *avoid that which is strong and attack that which is weak*.

While it is important to do things that give you an advantage, give serious consideration to actions that also put your competitor at a disadvantage.

The concepts of niching and segmentation provide excellent opportunities for maximizing strengths in developing offensive thrusts. Segmentation is a way for anyone of any size to secure a position by focusing strengths on a specific, narrow frontage of the market.

Choose a Favorable Battleground

Sun Tzu says:

In respect to the employment of troops, ground may be classified as dispersive, frontier, key, open, focal, serious, difficult, encircled, and desperate.

When a chieftain is fighting in his own territory, he is in dispersive ground. When he has penetrated into hostile territory, but to no great distance, he is in frontier ground. Ground equally advantageous for us and the enemy to occupy is key ground. Ground equally accessible to both sides is open. Ground contiguous to three other states is focal. He who first gets control of it will gain the support of the majority of neighboring states. When an army has penetrated deep into hostile territory, leaving far behind many enemy cities and towns, it is in serious ground. Mountain forests, rugged steeps, marshes, fens and all that is hard to traverse fall into the category of difficult ground. Ground to which access is constricted and from which we can only retire by tortuous paths so that a small number of the enemy would suffice to crush a large body of our men is encircled ground. Ground on which the army can avoid annihilation only through a desperate fight without delay is called a desperate one.

And, therefore, do not fight in dispersive ground; do not stop in the frontier borderlands.

Do not attack an enemy who has occupied key ground; in open ground, do not allow your communication to be blocked.

In focal ground, form alliances with neighboring states; in serious ground, gather in plunder.

In difficult ground, press on; in encircled ground, resort to stratagems; and in desperate ground, fight courageously.

The principle of terrain application is to make the best use of both the high and the low-lying grounds.*

Samuel B. Griffith translates:

**The tactical variations appropriate to the nine types of ground, the advantages of close or extended deployment, and the principles of human nature are matters the general must examine with the greatest care.*

Choose a Favorable Battleground

Control of the location of the battleground results in control of offensive and defensive actions.

At Continental Airlines, president Gordon Bethune, found it was costing more money to have problems than to solve the problems of planes being late or dirty or needing maintenance. In a survey of customers, Continental found that nothing else scored as high in importance as having planes on time. On-time performance was chosen as the battleground and major metric. Continental agreed to reward employees for on-time performance. If the customers won, the employees won. Soon, Continental was rated first in on-time arrivals.

Although planes were arriving on time, baggage wasn't, so Continental expanded the battleground to include performance in the entire system. Soon, everyone understood that his or her primary job focus was to run a good airline. 1

In order to discover new marketing battlefields, Pfizer organized its drug-discovery teams to pursue drugs for every major disease. It built speed into the process so that its drug-discovery teams needed less than one-third the industry's average person-years to move a compound from conception to clinical trials. When Pfizer researchers found themselves in a race with a Japanese company for an Alzheimer's drug similar to theirs, they opted to drop research and form a more favorable joint venture so they could co-market the drug.

Twenty-five thousand new products are launched every year, and the average forecast is that one in several hundred launches will succeed. Research, targeting, and luck are critical to determining the battleground where you will invest your resources.

Big Island Candy in Hilo, Hawaii, selected a unique battlefield that is more immune to moves of big competitors. It avoids retail distribution where its product would compete with the bigger mass-marketed brands. Instead, the focus is on the tour operators who are pleased that the visit to the Big Island Candy store and factory offers their customers branded products that are not available in retail stores at a discount.

The most favorable battleground is always where you can concentrate your resources profitably with minimal competition. To control the battleground, you must offer a distinctive differentiation and the customer must desire that differentiation. Otherwise, you are another commodity in a low margin commodity market.

Shape Your Opponent's Strategy

Sun Tzu continues:

In ancient times, those described as skilled in war knew how to make it impossible for the enemy to unite his van and his rear, for his large and small divisions to cooperate, for his officers and men to support each other, and for the higher and lower levels of the enemy to establish contact with each other.

When the enemy's forces were dispersed, they prevented him from assembling them; even when assembled, they managed to throw his forces into disorder. They moved forward when it was advantageous to do so; when not advantageous, they halted.

Should one ask: 'How do I cope with a well-ordered enemy host about to attack me?' I reply, 'Seize something he cherishes and he will conform to your desires.'

Speed is the essence of war. Take advantage of the enemy's unpreparedness, make your way by unexpected routes, and attack him where he has taken no precautions.*

Other translators' interpretations of how to act to shape the opponent:

> **In the conduct of war, speed is everything. Take the enemy unawares, follow the route unthought of by him and attack the place left ungarrisoned by him.*
> Zhang Huimin
>
> **It is the nature of the army to stress speed; to take advantage of the enemy's absence; to travel unanticipated roads; and to attack when they are not alert.*
> Ralph D. Sawyer

Shape Your Opponent's Strategy

Move swiftly to disrupt your opponent and place him at the disadvantage.

Seventy-five percent of men between ages 18 and 45 own at least one pair of Dockers. Campbell's owns 75 percent of the condensed soup business. A company called Play-by-Play dominates the $190 million carnival-prize market with a 50 percent share. 2 These giants determine the marketing situation in their industries. They own the market, and their opponents must shape their attack around the strategies of these giants because the gorilla sleeps anywhere he wants.

Whether or not you can shape your opponent's strategy in business situations is a function of your relative strength. Although this relative strength is most often seen in old gorillas, new entrants who move rapidly can become powerful gorillas. Witness the rapid rise of Amazon.com in Web marketing, TCBY in yogurt, and Staples in office products.

Pepsi was big enough to be a threat to Coke when Pepsi launched its blind taste test campaign to prove that more people preferred the flavor of Pepsi. Coke responded by launching a new formula and renaming the original product Coke Classic. However, the market responded negatively to the new Coke, and Pepsi's attempt to reshape Coke's strategy had only a temporary effect.

You can force your opponent to react when you rapidly accumulate a critical mass of power. Napoleon said, "Force must be concentrated at one point and as soon as the breach is made, the equilibrium is broken."

That was the strategy of ConAgra's Healthy Choice attack against Weight Watchers, Lean Cuisine, and other low calorie foods. Healthy Choice reshaped the market by offering tasty foods that were low fat, low cholesterol, and low sodiuma combination that was difficult to match as Healthy Choice soared toward a $2 billion annual volume.

In every competitive endeavor, a concentration of energy must be achieved to attain the breakthrough. The winning manager must give priority to those items that are the most critical to success. The ultimate judge of whether you win is the customer. His or her decision to buy is the critical vote. If he or she doesn't vote with a favorable decision, nothing else matters.

Make Victory the Only Option

Sun Tzu continues:

Throw your soldiers into a position whence there is no escape, and they will choose death over desertion. For if prepared to die, how can the officers and men not exert their uttermost strength to fight? In a desperate situation, they fear nothing; when there is no way out, they stand firm. Deep in a hostile land they are bound together. If there is no help for it, they will fight hard.

Thus, without waiting to be marshaled, the soldiers will be constantly vigilant; without waiting to be asked, they will do your will; without restrictions, they will be faithful; without giving orders, they can be trusted.

Prohibit superstitious practices and do away with rumors, then nobody will flee even facing death. Our soldiers have no surplus of wealth, but it is not because they disdain riches; they have no expectation of long life, but it is not because they dislike longevity.

On the day the army is ordered out to battle, your soldiers may weep, those sitting up wetting their garments, and those lying down letting the tears run down their cheeks. But throw them into a situation where there is no escape and they will display the immortal courage of Zhuan Zhu and Cao Kuei.

He orders his troops for a decisive battle on a fixed date and cuts off their return route, as if he kicks away the ladder behind the soldiers when they have climbed up a height. When he leads his army deep into hostile territory, their momentum is trigger-released in battle. He drives his men now in one direction, then in another, like a shepherd driving a flock of sheep, and no one knows where he is going. To assemble the host of his army and bring it into dangerthis may be termed the business of the general.

Set the troops to their tasks without revealing your designs. When the task is dangerous, do not tell them its advantageous aspect. Throw them into a perilous situation and they will survive; put them in desperate ground and they will live. For when the army is placed in such a situation, it can snatch victory from defeat.

Make Victory the Only Option

Lead your forces into situations where they cannot retreat.

Underlying Sun Tzu's comments is the idea that the need to survive can force everyone to achieve goals. The pressure here is of two types: personal or corporate survival.

Personal Survival: The threat of either getting your job done right or losing it has been used by aggressive management at all levels. At companies like Pepsi, it has historically been common knowledge that you make your numbers or you leave.

Competition for personal survival is also keen at the real-world management schools within corporate America such as Proctor & Gamble, General Electric, and Disney. Although renowned as training grounds for leaders, the survival process of managers within these organizations ranges from tough to brutal. The

Disney system pits strong division managers against a strategic planning group that acts as a check on their power. In this system, conflict is built in. To survive, you must fly under the radar as long as possible. 3

Corporate Survival: We have seen dramatic success caused by a common understanding of the need for corporate survival. This was particularly true during the early days of the quality revolution when higher quality imports threatened lower quality domestic products. Then the rallying cry was to improve quality in order to stay in business.

A Survival Solution: The personal opportunity is to build the kind of career strength that makes you marketable. Says Intel's Andrew Grove, "No matter where you work, you are not an employee. You are in a business with one employeryourselfin competition with millions of similar businesses worldwide...Nobody owes you a careeryou own it as a sole proprietor. And the key to survival is to learn to add more value every day."4

With each job change or promotion, you increase your career knowledge and your value to the next employer. If you aren't moving up in your organization, then consider moving on.

In hiring people, I have always been impressed when the background indicates that one of the prior employers had a reputation for thorough screening of new hires. After selection comes training. If your company isn't training you, then you should be sending yourself to trainingand that includes training inside and outside your profession.

Plan Coordinated Efforts

Sun Tzu continues:

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. Should one ask: 'Can troops be made capable of such instantaneous coordination as the Shuai Ran?' I reply, 'They can.' For the men of Wu and the men of Yue are enemies, yet if they are crossing a river in the same boat and are caught by a storm, they will come to each other's assistance just as the left hand helps the right.

Hence, it is not sufficient to rely upon tethering of the horses and the burying of the chariots. The principle of military administration is to achieve a uniform level of courage.

Thus, a skillful general conducts his army just as if he were leading a single man, willy-nilly, by the hand.

The general principles applicable to an invading force are that the deeper you penetrate into hostile territory, the greater will be the solidarity of your troops, and thus the defenders cannot overcome you.

Teamwork Works

Colonel Ardant du Picq crystallized the fundamental principle underlying teamwork:

"Four brave men who do not know each other well will not dare attack a lion. Four less brave, but knowing each other well, sure of their reliability and consequently of mutual aid, will attack resolutely. There is the science of organization of armies in a nutshell."

And there is the science of organization for teamwork in a nutshell!

Colonel du Picq continues, "At any time a new invention may assure victory. Granted. But practicable weapons are not invented every day...the determining factor, leaving aside generals of genius, and luck, is the quality of troops, that is, the organization that best assures their esprit, their reliability, their confidence, their unity." 5

Plan Coordinated Efforts

A united effort has strength.

Different Ways to Unite: Coca-Cola has focused on making its worldwide bottling operations more cohesive, building its strength around the larger, stronger partners.

Acquisition is another approach to obtaining a stronger united effort. Compaq had that in mind when it jumped from fifth to second largest in computer manufacturing with the acquisition of Digital Equipment.

Taking an internally focused approach to coordinated efforts, Tenneco has transformed from a highly diversified conglomerate into a focused global manufacturer of parts and packaging.

Dana's reorganization took a different tack as it divided into six strategic business units to allow each to focus strength on a segment.

Team Strength: Successful companies spend a lot of time forming small teams with the mobility to maneuver. Five billion dollar giant Illinois Tool Works operates through 365 small, decentralized business units that actively practice teamwork with customers and suppliers. Some may think it is inefficient to break the unit into small groups. So is defeat.

Two-time Baldrige winner Solectron is just one of many who has saved billions of dollars with teams focused on process improvement. To achieve these savings, organizations have invested in training people in quality management and teamwork skills. Trained team facilitators are used to enhance team performance.

Forming effective teams takes time and training. The most successful teams are those with the best training and leadership. Successful strategic decisions are most likely to be made by teams that promote active and broad conflict over issues without sacrificing speed. The key to doing so is to mitigate interpersonal conflict. Too often, the absence of conflict is not harmony, it's apathy. 6

When people are empowered and trained to work effectively in teams, they take ownership of the task; and the entire management process moves from control to commitment.

The team structure must be cascaded throughout the organization. Teamwork works only when it is led from the top. When the senior management staff functions as a team, then the stage is set for all other units to operate as teams.

Press the Attack

Sun Tzu continues:

Plunder fertile country to supply your army with plentiful food. Pay attention to the soldiers' well-being and do not fatigue them. Try to keep them in high spirits and conserve their energy. Keep the army moving and devise unfathomable plans.

It is the business of a general to be quiet and thus ensure depth in deliberation; impartial and upright, and thus keep a good management.

He should be able to mystify his officers and men by false reports and appearances, and thus keep them in total ignorance. He changes his arrangements and alters his plans in order to make others unable to see through his strategies. He shifts his campsites and undertakes marches by devious routes so as to make it impossible for others to anticipate his objective.

The different measures appropriate to the nine varieties of ground and the expediency of advance or withdrawal in accordance with circumstances and the fundamental laws of human nature are matters that must be studied carefully by a general.

Generally, when invading a hostile territory, the deeper the troops penetrate, the more cohesive they will be; penetrating only a short way causes dispersion.

When you leave your own country behind, and take your army across neighboring territory, you find yourself on critical ground.

When there are means of communication on all four sides, it is focal ground.

When you penetrate deeply into a country, it is serious ground.

When you penetrate but a little way, it is frontier ground.

When you have the enemy's strongholds on your rear, and narrow passes in front, it is encircled ground. When there is no place of refuge at all, it is desperate ground.

Press the Attack

Keep the pressure on.

The success of organizations like Southwest Airlines and Nordstrom was not achieved with a single thrust; instead, they kept pressing the attack as they invaded each successive market.

Southwest Airlines developed systems for turning around planes faster and having crews perform multiple tasks. It kept costs low and innovated low-priced fare structures. Today, there are only two kinds of airports: those served by Southwest and those who wish they were on a Southwest route.

Nordstrom developed a customer service philosophy and high-end brand presentation that has made it the envy of the department store industry. In an industry where it was difficult to find a clerk to take your money, Nordstrom made customer service a hallmark. While new discount stores flourished with low-end products, Nordstrom continued its offensive of high-quality and value merchandise.

Several key ingredients are common to all growing organizations:

Customer Focus: It matters not whether you are in a high-end business category like Nordstrom or more value oriented like Southwest; both are rated high by customers because they have created systems that deliver perceived value.

Selection: The most important contributor to the success of any organization is the ability to hire good people. I spent hours interviewing Phillip Fulmer, head football coach at the University of Tennessee, as I assisted with his book *Legacy of Winning*. Fulmer has one of the top winning records in college football and as such can attract good people. However, he doesn't sit around waiting for them to knock on the door; he has a well organized systematic campaign to analyze candidates and encourage the best to sign up on his teamand so does Microsoft.

Training: Hiring good people alone is not enough. Whether coaching a sports team or leading a business venture, you must be able to train them to be the very best. Extensive training on an ongoing basis is the hallmark of premier organizations where learning sessions are highly interactive.

The pressure necessary for success is applied by good people working within good systems that empower them to use their skills.

Learn Winning Ways

Sun Tzu continues:

Therefore, in dispersive ground, I would unify the determination of the army. In frontier ground, I would keep my forces closely linked. In key ground, I would hasten up my rear elements. In open ground, I would pay close attention to my defense. In focal ground, I would consolidate my alliances. In serious ground, I would ensure a continuous flow of provisions. In difficult ground, I would press on over the road. In encircled ground, I would block the points of access and egress. In desperate ground, I would

make it evident that there is no chance of survival. For it is the nature of soldiers to resist when surrounded, to fight hard when there is no alternative, and to follow commands implicitly when they have fallen into danger.

One ignorant of the designs of neighboring states cannot enter into alliance with them; if ignorant of the conditions of mountains, forests, dangerous defiles, swamps, and marshes, he cannot conduct the march of an army; if he fails to make use of native guides, he cannot gain the advantages of the ground.

An army does not deserve the title of the invincible Army of the Hegemonic King if its commander is ignorant of even one of these nine varieties of ground. Now, when such an invincible army attacks a powerful state, it makes it impossible for the enemy to assemble his forces. It overawes the enemy and prevents his allies from joining him. It follows that one does not need to seek alliances with other neighboring states, nor is there any need to foster the power of other states, but only to pursue one's own strategic designs to overawe his enemy. Then one can take the enemy's cities and overthrow the enemy's state.*

Bestow rewards irrespective of customary practice and issue orders irrespective of convention and you can command a whole army as though it were but one man.

Roger Ames translates:

**If you pursue you own program, and bring your prestige and influence to bear on the enemy, you can take his walled cities and lay waste to his state.*

Learn Winning Ways

Problems are opportunities.

Winning companies are always on the offensive: Dell with new products and new markets overseas, Nucor Steel with the lowest labor cost per ton, and Wal-Mart with its ever expanding international network of new and larger stores.

Here are a few fundamental characteristics of winners:

Fight the Battles That Count: While you should not fight political battles you cannot win, when you win political battles and make enemies, you run the risk of becoming weaker. In too many cases, qualified, active people are not promoted because they have made enemies. When you can win and retain good relationships, only then can you become strong.

Avoid the Avoidable: The process of avoiding the avoidable is understanding that physical hazards are identifiable obstacles against which specific measures can be taken. In contrast, the human element is completely unpredictable. Consequently, you take specific actions to reduce the possibility of defeat by physical conditions so that you can devote your full resources to dealing with the unpredictable human elements.

Every document you present has both form and substance. You must go for the ultimate quality in the physical element of form so it doesn't detract from the more psychological elements of substance.

Considering the fragility of the human element, you leave all the possibilities for controllable physical mistakes to your opponent and organize for minimum physical defects in your own operation. You do not allow your plan to fail because of the quality of the product, or the delivery time, or any physical element. The organization for excellence does not require that headquarters assumes control of everythingoften decentralization is the best way to avoid physical problems.

Communicate Expectations: This often requires a dialogue and a written mission. This mission charter is best written by those who have received the assignment. Their time invested in putting expectations in their own words will serve to focus and clarify their mission. Of course, the final written mission statement should always be reconciled with the person who assigned the task.

Chapter Twelve
Attack By Fire

Strategic Rules

Be Disruptive and Intrusive
Consolidate Your Gains
Exercise Restraint

People who concentrate all of their efforts on tactical issues only are working short term. They will eventually be overwhelmed by those who are doing the right thing today as part of a longer term strategic plan. We can find the overemphasis on tactics in those who work in the more tactical selling and advertising areas of business. The overly tactical salesperson is characterized by those who concentrate only on the immediate sale and not on the long-term selling and service relationship with the customer. Overly tactical advertising concentrates on low prices without considering the debilitating effects of too much price advertising. There's a saying, "People don't buy price; they are sold price."

The right long-term strategy can be in conflict with the need for immediate results. While a particular position may appear conceptually sound, the organization may deplete its resources before the strategy yields results.

Battles can be won with tactics; however, business victory comes only with the proper balance of strategy and tactics. Penetration is achieved with the right mix of thinking and doing.

The offensive military commander has always known that breakthroughs are opportunities which must be exploited. Somehow this simple truth often gets lost in the bureaucracy of organizations.

For organizations to change, the culture must change. Even when senior managers let go of control and try to decentralize, they find scores of subordinates patiently waiting for instructions or authority. One of the most difficult tasks facing managers who want to initiate change is how to overcome the ghosts of past corporate cultures. Leaders can actively shape organizational culture by continual reinforcement of the message they want to deliver.

Be Disruptive and Intrusive

Sun Tzu says:

There are five ways of attacking with fire. The first is to burn soldiers in their camp; the second, to burn provision and stores; the third, to burn baggage-trains; the fourth, to burn arsenals and magazines; and the fifth, to burn the lines of transportation.

To use fire, some medium must be relied upon. Materials for setting fire must always be at hand. There are suitable seasons to attack with fire, and special days for starting a conflagration. The suitable seasons are when the weather is very dry; the special days are those when the moon is in the constellations of the Sieve, the Wall, the Wing or the Cross-bar; for when the moon is in these positions there are likely to be strong winds all day long.

Now, in attacking with fire, one must respond to the five changing situations: When fire breaks out in the enemy's camp, immediately coordinate your action from without. If there is an outbreak of fire, but the enemy's soldiers remain calm, bide your time and do not attack. When the force of the flames has reached its height, follow it up with an attack, if that is practicable; if not, stay where you are. If fires can be raised from outside the enemy's camps, it is not necessary to wait until they are started inside. Attack with fire only when the moment is suitable. If the fire starts from up-wind, do not launch attack from down-wind. When the wind continues blowing during the day, then it is likely to die down at night.

Now, the army must know the five different fire-attack situations and wait for appropriate times.

Those who use fire to assist their attacks can achieve tangible results; those who use inundations can make their attacks more powerful. Water can intercept and isolate an enemy, but cannot deprive him of the supplies or equipment.

Be Disruptive and Intrusive

Disrupt the mind and intrude into that disruption.

The Swatch Watch brand gained attention with a giant watch replica which hung down the side of a building during the Olympics. When I wanted to emphasize a profit opportunity in software, I arranged for $1 million in one-dollar bills to be stacked in a giant 20-foot high display at a trade show. When Federal Express wanted to dramatize its Saturday pick-up service, it sent 30,000 coffee cakes to Federal Express customersdelivered by Federal Express, of course.

Every commander in battle strives to achieve the breakthrough. In business, too often the search is confined to the need for sheer numbers to achieve the breakthrough. As we increase our efforts, so do our opponents. After each failure to achieve the breakthrough, the reaction is to call for a little more effort.

When we wish for just a little more time, more funds, more prospects, or more customers, we fail to realize that "just a little more" is not enough. As we increase our efforts, so do our competitors. The result of annual "more, better, faster" strategic plans is often just a dance.

When we achieve changes in position, it is because of a carefully planned extraordinary effort. In order to achieve a breakthrough, two major problems must be solved:

1. Dislocation: You can't hit the enemy unless you have first created the opportunity.
2. Exploitation: You can't make that effect decisive unless you exploit the opportunity before he can recover.

The business implementation equivalent is be "disruptive" and "intrusive." You must disrupt the mind and intrude into that disruption.

Disruptive and intrusive communication has been achieved in a variety of ways. It ranges from the unexpected appearance of the boss at an employee event to the publicity stunt that achieves worldwide coverage.

Neither the disruption or the intrusion that creates attention should be crass or offensive. If the disruption puts people in a negative frame of mind, the strategy backfires. To be effective, the intrusion must be directly related to your message.

Consolidate Your Gains

Sun Tzu continues:

Now, to win battles and capture lands and cities, but to fail to consolidate these achievements is ominous and may be described as a waste of resources and time. And, therefore, the enlightened rulers must deliberate upon the plans to go to battle, and good generals carefully execute them.*

Here is a different interpretation of Sun Tzu's words:

> **Unhappy is the fate of one who tries to win his battles and succeed in his attacks without cultivating the spirit of enterprise: for the result is a waste of time and general stagnation. Hence the saying: The enlightened ruler lays his plans well ahead; the good general cultivates his resources.*

Lionel Giles

Here, the idea of "cultivating the spirit of enterprise" is further reinforced by the phrase "cultivating resources." The most important resources to cultivate are "human resources." The waste of time and general stagnation come from failing to understand how to get people motivated.

Consolidate Your Gains

The purpose of winning battles is to achieve victory.

Big companies get big by concentrating their strengths in big markets. Royal Dutch Shell and Exxon *are* in the petroleum business, Microsoft and Intel *are* in the computer industry, and Marriott and Holiday (officially Bass Hotels and Resorts) *are* in the hospitality business with a variety of brands.

The sales manager of one of the world's largest container manufacturers told me he could attribute 58 percent of his previous year's business to agreements where a long-term partnering arrangement had been achieved. In each instance his company served as the sole or primary supplier to the customer. Business partnerships between customers and suppliers have become an excellent way to convert a series of transactions into a lasting relationship.

In achieving international growth, successful companies enter fewer countries, but penetrate each of them more deeply. The controlling factor in each country is the success achieved in meeting the needs of the customer better than the domestic competition.

Your objective is not just to win; your objective must be to create a sustainable victory. In marketing, you have achieved no victory when you make the sale and lose the customer. In any endeavor, the highest cost is the first victory; winning must provide a base for future relationships.

Loyalty programs that reward repeat customers are another way to develop continuing relationships. Winning is not achieved in completing one transaction; victory is in the value of multiple purchases over time. Considerable evidence exists that repeat customers spend more money and are more profitable. Customer loyalty is earned by those organizations who "delight" the customer. That is, these companies do not just make a sale; they satisfy the customer in such an overwhelming manner that a long-term relationship is established. Customers who find the product or service to be outstanding can generate an incredible amount of repeat business. The lifelong value of a customer at a gas station accumulates into revenue of tens of thousands of dollars and at an automobile dealership into hundreds of thousands of dollars.

Exercise Restraint

Sun Tzu continues:

If not in the interests of the state, do not act. If you are not sure of success, do not use troops. If you are not in danger, do not fight a battle.*

A sovereign should not launch a war simply out of anger, nor should a general fight a war simply out of resentment. Take action if it is to your advantage; cancel the action if it is not. An angered man can be happy again, just as a resentful one can feel pleased again, but a state that has perished can never revive, nor can a dead man be brought back to life.

Therefore, with regard to the matter of war, the enlightened ruler is prudent, and the good general is full of caution. Thus, the state is kept secure and the army preserved.

Other translators express their interpretations of restraint which applies equally to external strategies and internal politics:

Move only when it benefits you. In war you must win; in attacking, you must succeed. If it is not beneficial to the country, do not take action. If you cannot win, do not go to war. If you are in danger, do not fight.
Brian Bruya

If it is not advantageous, do not move. If objectives cannot be attained, do not employ the army. Unless endangered, do not engage in warfare.
Roger Ames

Exercise Restraint

Do not fight battles you cannot winor win those that lose the war.

External Restraint: Today, Coke has a large share of the Japanese market for soft drinks because it took the time and made the investment to build a full range of functional strengths. When Coke made its first move into Japan, it found a complex, multi-layered distribution system. Using local bottlers, Coke recreated the kind of sales force it used in the United States. The Coke van or truck replaces empty bottles with new ones, not the trucks of independent wholesalers or distributors. By investing heavily in resources in the distribution system, Coke redefined the domestic game in Japan. Short-term financial returns were sacrificed to achieve long-term gains. 1

A different approach in the invasion of markets is to use existing distributors and/or sales representatives as the delivery system. Only after strength is achieved is the transition made to corporate distribution centers by either purchasing distribution facilities or buying out agreements. The growth of successful distribution in many industries nationally can be traced from the use of outside agents to internally controlled delivery systems.

The head-on attack of heavy advertising investments and massive campaigns has often not worked for manufacturers who want to invade new foreign markets. New markets are conquered by deliberate, skillfully executed campaigns focused on methodically outmaneuvering entrenched competitors.

Internal Restraint: The issue of fighting a battle you cannot win has special applications for corporate politics. Good politicians negotiate. Bad politicians fight battles.

Hundreds of years before Christ, a Chinese warlord gave the following advice that has real application for corporate politics:

One who gains one victory becomes the Emperor;
One who gains two, a King;
One who gains three, Lord Protector;
One who gains four is exhausted;
One who gains five victories suffers calamity.

Chapter Thirteen
Employment Of Secret Agents

Strategic Rules

Invest in Intelligence Resources
Establish an Active Intelligence System
Practice Counterintelligence

In many organizations, a major problem is organizing, synthesizing, and disseminating information. Most organizations are plagued with "islands of information." Many people know many things, but no system exists to put it all together for verification and application to specific objectives. Even in the CIA, most of the information is obtained from overt, not covert, sources. The biggest job for any intelligence unit is organizing and interpreting readily available information.

Uncertainty surrounds many of the issues which challenge the manager. The antidote for uncertainty is more relevant information. The more information available, the longer the time needed to process it and the greater the danger of failing to distinguish between the relevant and the irrelevant.

According to General Gordon R. Sullivan, the army's recently retired chief of staff, "The paradox of war in the Information Age is one of managing massive amounts of information and resisting the temptation to over-control it. The competitive advantage is nullified when you try to run decisions up and down the chain of command...Once the commander's intent is understood, decisions must be devolved to the lowest possible level to allow these front line soldiers to exploit the opportunities that develop." 1

Marketers use test markets to gain information, manufacturers use pilot plants, and anyone can engage in a small trial or experiment prior to a rollout. The objective of the experiment is to find out if your planned approach will work. You ignore your failures and exploit your successes.

Invest in Intelligence Resources

Sun Tzu says:

Generally, when an army of one-hundred-thousand is raised and dispatched on a distant war, the expenses borne by the people together with the disbursements made by the treasury will amount to a thousand pieces of gold per day. There will be continuous commotion both at home and abroad; people will be involved with convoys and exhausted from performing transportation services, and seven-hundred-thousand households will be unable to continue their farmwork.

Hostile armies confront each other for years in order to struggle for victory in a decisive battle; yet if one who begrudges the expenditure of one-hundred pieces of gold in honors and emoluments remains ignorant of his enemy's situation, he is completely devoid of humanity. Such a man is no leader of the troops; no capable assistant to his sovereign; no master of victory.

The Data We Need Is Available

Theodore Levitt said, "The future doesn't descend on us on some prophetic day...it grows out of forces which are now turbulently in motion...what warnings we're going to get, we already have."

Invest in Intelligence Resources

Information is crucial to winning.

Successful ventures do good intelligence homework so they can target their products.

Accurate intelligence allows for better use of your resources. The information derived reduces risks because you have the data which gives you better odds. Only a gambler with inside information can rationally bet his whole stake on a single race. Good marketing research management puts you in the business of managing risks instead of taking risks.

The key assumption of intelligence is that an impression of what is not known can be pieced together by studying what is known. Good strategy needs good assumptions, and good assumptions are a product of good intelligence.

America's most successful corporations have large cadres of internal and external market research services. They treat marketing research as a corporate asset because it helps them market more effectively and efficiently.

It is easy to do bad market research because we so often want to ask the questions that will tell us what we want to hear. Before determining questions, you must learn everything you can about the area you want to study. That means a series of personal visits to the places where your product or service is consumed.

Too often, we think that knowledge of ourselves and our opponent is a destination we've already reached. Gathering knowledge is an ongoing, dynamic, feedback process.

An abundance of information incorrectly interpreted can lead to fatally wrong conclusions. Improper action from advance signals can even exacerbate the problem.

In intelligence failures, the problem is not that the information is unavailable, but rather that it is not taken seriously by commanders who, once committed to a course of action based on bureaucratic consensus, refuse to recognize the validity of contrary data and are unwilling to abandon the original operation.

You must know your opponent and understand his strengths and weaknesses. You must understand everything you can about the market for your product, service, or idea.

Establish an Active Intelligence System

Sun Tzu continues:

Now, 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.

Hence, the use of spies, of whom there are five sorts: native spies, internal spies, converted spies, doomed spies, and surviving spies.

When all these five sorts of spies are at work and none knows their method of operation, it would be divinely intricate and constitutes the greatest treasure of a sovereign.

Native spies are those we employ from the enemy's country people. Internal spies are enemy officials whom we employ.

Converted spies are enemy spies whom we employ.

Doomed spies are those of our own spies who are deliberately given false information and told to report it.

Surviving spies are those who return from the enemy camp to report information.

Hence, of all those in the army close to the commander, none is more intimate than the spies; of all rewards, none more liberal than those given to spies; of all matters, none is more confidential than those relating to spying operations.

He who is not sage cannot use spies. He who is not humane and generous cannot use spies. And he who is not delicate and subtle cannot get the truth out of them. Delicate indeed! Truly delicate!*

Another translator identifies the need for the manager's wisdom in conducting research and intelligence activities:

> **No one but a sage can utilize espionage; except with humanity, one cannot deploy agents; except with thorough observation, one cannot gain truth from agents. Observe! Observe!*
> J. H. Huang

Establish an Active Intelligence System

Establish a methodology for processing information.

Organize Your Information Flow: The process of gathering intelligence is one of collecting and filtering. All information is not useful. Too much information can make it difficult to separate the useful from the useless. One of the key decisions in processing information is how to be selective in the information flow to each level of management.

The ultimate solution is a combination of:

Structure which sizes the organization's decision making process
Good information available at all levels
Personal reconnaissance on the part of decision makers at every level

Make Information Useful: To make scattered information useful, it has to be pulled together piece by piece and developed to form distinct patterns to enlighten all echelons. This coordinating process is what makes intelligence useful. Confronted with a task and not having enough information to perform the task, an organization may either:

Centralize: This keeps decision thresholds high and will increase the information flow. It will also require more information processing capability, thereby becoming more complex.

or

Decentralize: Divide the task into parts and establish focal points to deal with each part. This will relocate the decision thresholds to lower levels. 2

Most often, the best choice will be to decentralize and segment the task into manageable parts. This requires management that is willing to accept less certainty at the top in order to have more certainty at the bottom.

Systems Are Not Solutions: It is not really the command structure that determines the information system; rather, it is the ability to absorb and process information that determines what can be the most effective command structure.

Often the new communications technologies mask the subtleties of human interface and take on a life of their own. The problem is not the existence of the new information system; the problem is that we view "the system" as "the solution."

Practice Counterintelligence

Sun Tzu continues:

There is no place where espionage is not possible. If plans relating to spying operations are prematurely divulged, the spy and all those to whom he spoke of them should be put to death.

Generally, whether it be armies that you wish to strike, cities that you wish to attack, and individuals that you wish to assassinate, it is necessary to find out the names of the garrison commander, the aides-de-camp, the ushers, gatekeepers, and bodyguards. You must instruct your spies to ascertain these matters in minute detail.

It is essential to seek out enemy spies who have come to conduct espionage against you and bribe them to serve you. Courteously exhort them and give your instructions, then release them back home. Thus, converted spies are recruited and used. It is through the information brought by the converted spies that native and internal spies can be recruited and employed. It is owing to their information, again, that the doomed spies, armed with false information, can be sent to convey it to the enemy. Lastly, it is by their information that the surviving spies can come back and give information as scheduled. The sovereign must have full knowledge of the activities of the five sorts of spies. And to know these depends upon the converted spies. Therefore, it is mandatory that they be treated with the utmost liberality.

In ancient times, the rise of the Shang Dynasty was due to Yi Zhi, who had served under the Xia. Likewise, the rise of the Zhou Dynasty was due to Lu Ya, who had served under the Yin. Therefore, it is only the enlightened sovereign and the wise general who are able to use the most intelligent people as spies and achieve great results. Spying operations are essential in war; upon them the army relies to make its every move.

Practice Counterintelligence

While you get their secrets, protect your own.

You can take deliberate steps to keep competitors from learning what is going on in your business. For example, at one headquarters, a poster in the company cafeteria reminds employees that "loose lips sink ships."

The media have run enough stories about corporate espionage to make managers aware of the danger.

There is evidence that Eastern nations apply Sun Tzu's lessons on "secret agents." A survey of 1,300 companies conducted by the American Society for Industrial Security revealed that China and Japan head the list of foreign countries possessing the greatest economic-espionage threat. However, next in line were France, U. K., and Canada. 3

The practice of gathering competitive information is not confined to big companies as a smaller entrepreneur found to his surprise when he visited Japan. After a few drinks one evening, his host took him to a file cabinet where he exhibited a file containing information about his company.

The first bastion of counterintelligence is usually a memo that requires all employees to refer outside inquiries for information to the public relations officer. This is a good practice since the stories are legion from managers who tell about making a phone call to a targeted company and learning everything they wanted to know.

At the next level of protection are passive measures such as an office shredder in key offices and numbering systems to control key documents like new product plans. Every manager should be concerned about documents on his or her desk in view of visitors because too many people have learned how to read upside down. The best way to handle visitors is to meet them in a separate conference room with no visible company information. At the University of Tennessee football headquarters, the main conference room walls are lined with the ranking of prospective recruitsall covered with opaque pull-down shades.

Passive protection is not limited to the office. Although laptop computers are useful on an airline flight, keep in mind that the information may also be useful to a nearby passenger.

The top level of protection is active measures involving checking for bugs in phones and making sure that rooms engaged for outside conferences are secure and no material is left behind after the meeting.

Appendix
Key Concepts Summarized for Managers

Chapter One
Laying Plans

Thoroughly Assess Conditions

Sun Tzu	Business
Moral Influence	Vision and Mission
Weather	Outside Influences
Terrain	Marketplace
Command	Leadership
Doctrine	Core Beliefs

Compare Attributes

Which is managed by those who have established meaningful objectives (with a high moral value)?
Which people have the most ability?
Which can take the best advantage of current conditions?
Which has a better discipline?
Which is stronger?
Which is better trained?
Which is better motivated?

Look for Strategic Turns

Go beyond ordinary rules.
Search for advantages.
Find favorable strategic conditions.
Examine the situation thoroughly.
Do the unexpected.
Build your own strengths.
Continuously analyze the strengths and weaknesses of the opposition.

Chapter Two
Waging War

Marshal Adequate Resources

When resources are depleted and cannot be replenished, the organization goes bankrupt.

Make Time Your Ally

Victory is the main objective.
"While we have heard of stupid haste, we have not yet seen a clever operation that was prolonged."
.When the operation takes too long:
Resources may be depleted.
Weapons are blunted.
Morale is depressed.
Your opponents will take advantage of your distress.
"What is valued is a quick victory, not prolonged operations."
Those who do not understand the dangers, do not understand how to make advantageous use of resources.
Those who are adept, do not require additional resources.

Everyone Must Profit from Victories

When others go out of business, profit by acquiring their physical and human resources.
Win by acquiring competitors and making good use of their people in the new organization structure.
This is called "winning and becoming stronger."

Know Your Craft

The objective is winning, not spending time. The leaders who truly understand their business, control the battle and achieve victory.

Chapter Three
Attack By Stratagem

Win without Fighting

Consider making opponents into allies.
The best victories are those that can be won without conflict:
First, attack strategy. This is the best approach.
Next, disrupt alliances.
If these do not work, consider fighting, but do not attack strengths.

Strength against WeaknessAlways

The greater your strength compared to your opponent, the greater the chances for winning.
If resources are equally matched, fight only if you have special abilities.
The small cannot defeat the large, nor the weak the strong, nor the few the many.

Beware of "High-Level Dumb"

Those who are not at the scene of action and do not know what is going on should not give orders.
Each business should be managed by those with extensive experience in that business.
Rules established at corporate headquarters should not necessarily apply to every distant operation.

Obey Fundamental Principles

Know when you can be on the offensive and when you must take the defensive.
Where you have superiority, use one strategy; where you are inferior, use another.
Seek those actions that have high unity of purpose.
Be prepared for contingencies.
Headquarters should be careful of interfering.

Chapter Four
Disposition Of Military Strength

Be Invincible

What you do determines whether you are defeated.
What your opponent does determines whether you can win.
Because you know how to win does not mean that you will win.
Secure your defenses; however, you must take the offensive to win.
When you have insufficient strength, you must defend.
When you have an overabundance of strength, attack.
Tactics used in the defense are different from those used in the attack.

Attain Strategic Superiority

The best strategy is to win without fighting. This often requires looking beyond the obvious to find the unusual.
Achieving victory while avoiding conflict requires skillful insight and forethought in planning.
Your strategy must be so good that:
You cannot possibly be defeated.
It takes advantage of every opportunity.
The side which wins will be the side for which victory was certain before the battle began.
Those destined to defeat fight in the hope of winning.
The winning leader understands the moral law and strictly adheres to method and discipline.

Use Information to Focus Resources

Understand your opponent's position and strength.
Consider where you can have relative superiority.
Plan to attain overwhelming superiority at a decisive point.
Build the force of momentum.

Chapter Five
Use Of Energy

Build a Sound Organization Structure

Control is a matter of organization and communications.
Use the same fundamental principles regardless of size.

Apply Extraordinary Force

That which directly confronts your opponent is the normal or direct force.
That which strikes at his weakest areas is the extraordinary or indirect force.
Keep your opponent confused concerning routes of attack.
Plan the impact of the very strong against the very weak.
Use the normal force to engage, the extraordinary to win.
The combination of the normal and the extraordinary is an endless circle of direct and indirect engagements.

Coordinate Momentum and Timing

Your actions must have the energy of momentum and take place at the most advantageous time.
Whether there is order amidst apparent confusion depends upon organization.
When planning creates favorable circumstances, you have the advantage of high morale.
Whether you are weak or strong depends on all of the arrangements you have made.
All of the strength will come from the people alone; the leader must create the situation for victory.
People must be selected for a task on the basis of their abilitynot on nepotism or favoritism.
The energy created is the combined energy of all people and all resources.

Chapter Six
Weakness And Strength

Take the Initiative

He who occupies the field of battle first and awaits his enemy is at ease. He who comes later to the scene and rushes into the fight is weary.
Those skilled in war bring the enemy to the battlefield and are not brought there by him.
You either:
Offer some advantage to get him to your battlefield.
or
Do things to prevent him from coming.

Plan Surprise

Consider these actions to surprise and harass your enemy:
When at ease, make him weary.
When well fed, starve him.
When at rest, make him move.
Appear where he must hasten.
Move swiftly where not expected.

Attack	Defense
To take what you attack, attack the unprotected.	To hold what you defend, defend a place that will not be attacked.
Against those skilled in attack, an enemy does not know where to defend.	Against the experts in defense, the enemy does not know where to attack.
He whose advance is irresistible plunges into his enemy's weak positions.	He who in withdrawal cannot be pursued moves so swiftly he cannot be overtaken.

Gain Relative Superiority

If I am able to determine my enemy's dispositions while I conceal my own, then:
I can concentrate and he must divide.
I can use my strength to attack a fraction of his strength; therefore, I will be superior.
The enemy must not know where I intend to give battle.
If he does not, he must prepare in many places.
If he prepares in many places, those I fight in any one place will be few.
One who has few must prepare against the enemy.
One who has many makes the enemy prepare against him.

Seek Knowledge

If one knows where and when the battle will be fought, he can marshal all of his resources to the right place.
If one knows neither where or when the battle will be fought, his forces will be unable to aid each other.
Victory can be created. (Even if the enemy is more numerous, we can prevent him from engaging.)
Determine his plans and we know whether our strategy will work.
Stir him up and determine his patterns.
Probe to learn strengths and weaknesses.

Be Flexible

While you shape him, do not let him discern your shape.
Strategies do not change with the times.
Change when they become too obvious.
Just as water rushes down and shapes its course according to the ground, avoid strengths and strike weaknesseswork out victory in relation to your foe:
As water has no constant form, there are no constant conditions.
Because the situation is constantly changing, you must continually modify your tactics.

Chapter Seven
Maneuvering

Maneuver to Gain the Advantage

Make the devious route the most direct.
Turn misfortune into advantage.
Use deception.
Make changes to confuse your opponent.

Achieve the Critical Mass

Consider these issues carefully:
Know those with whom you enter into alliances.
Know the situation and use the help of others who have had the same experience.
Gather all your resources, and you will be too late. Advance without enough resources, and you may lose them all.
Divide the profits of your ventures.

Deceive Your Competitor

The purpose of deception is not to keep your opponent from arriving at the objective; rather, the purpose is to keep him from arriving too late to be of any harm.

Develop Effective Internal Communications

Have a method for clear communication.
Do not use the same communications for every situation.

Gain the Mental Advantage

Preserve your resources for the main effort.
Do not fight battles you cannot win.
Adapt quickly to changes in the circumstances.
Do not do that which your opponent wishes you to doif for no other reason than he so wishes.
Do not press a desperate opponent too hard.

Chapter Eight
Variation of Tactics

Consider Tactical Options

Understand the mission, gather resources, and concentrate the offensive.

Do not tarry where an advantage cannot be gained.

Form alliances where necessary.

When limited options are available, resort to strategy.

Fight when there is no alternative.
There are:

Business opportunities we should not follow.

Competitors we should not attack.

Accounts with whom we should not do business.

Positions where we cannot win.

Instructions we should not follow.

Advantages alone are not enough.
Whether at the advantage or the disadvantage, always keep in mind what would be done in the opposite state.
To gain the advantage, consider what the opponent would do to gain the advantage.
Use attorneys and others to make trouble for our opponent.

Prepare Adequate Defenses

Do not rely on the opponent not attacking, but rather expect that he will and prepare accordingly.

Avoid the Faults of Leadership

Bravery can lead to recklessness and destruction.
Being overly cautious leads to cowardice and defeat.
Anger leads to temper with vulnerability to insults.
Delicate honor leads to sensitivity and bad reactions.
Worry leads to oversolicitude and blunders.

Chapter Nine
On The March

Occupy Strong Natural Positions

Keep close to resources that fortify your strengths.
Position yourself so that your opponent has a disadvantage.
Try to keep your opponent from taking advantage of natural strengths that might be available to him.

Always Seek the High Ground

Be concerned for the health of your people.
Do not occupy imperiled positions; let your opponent do that.
Fight downhill.

Make an Estimate of the Situation

Watch for signs that tell you what your opponent is doing.
Study the actions and mood of his people.
If your opponent is giving lavish incentives, he is near the end of his resources.
Treat every opponent as a threatbe careful not to underestimate.

Discipline Can Build Allegiance

Treat your people with humanity.
Instill a sense of discipline.
Trust and confidence must be mutualotherwise, it does not exist.

Chapter Ten
Terrain

Know Your Battlefield

Arrive early and get the best positions.
In questionable markets, let your competitor enter first to determine whether opportunity exists.
Develop strengths in narrow niche markets.
Attack only those segments weakly defended.
Vigorously defend profitable and unique markets.
Distant markets can be difficult to serve.

Obey the Laws of Leadership

If the leader attacks strength, he will lose.
When instructions are clear, everyone will act with confidence; if unclear, every action will be disorganized.
When leaders are unable to accurately estimate the overall situation, the result will be bankruptcy.

Fight Only the Battles You Can Win

Use the strength of natural positions.
Know how to estimate the strength of your opponent.
Be shrewd in calculating dangers and difficulties.
It is not enough to know what you should do. You must also put into practice that which you know.
Do not act in your own self-interest, but rather in the best interests of your people and organization.
Retreat from bad situations.

Know Yourself; Know Your Opponent

Knowing yourself is not enough; you must also know where your opponent is strong and where he is weak.
Your chances of victory are greatly enhanced when you attack weakness and avoid strength.

Chapter Eleven
The Nine Varieties Of Ground

Choose a Favorable Battleground

Each opportunity must consider the situation:

Do not fight internally.

Do not attack or defend where you cannot have the advantage.

When you can neither advance or retreat, concentrate on protecting yourself.

When progress is difficult, keep on the offensive.

When outnumbered, resort to strategy.

Fight courageously when desperate.

Shape Your Opponent's Strategy

Do what you lawfully can to disrupt your opponent's internal communications, cooperation, morale, and cohesion.
Advance when you can gain an advantage; stay where you are when no advantage can be gained.
Seize the initiative so you can keep him on the defensive.
Speed is essential. Move rapidly and miss no opportunity.

Make Victory the Only Option

The more successful you are, the greater will be the morale and the more certain will be your future success.
Devise winning plans and actively solicit new resources.
Make certain the consequences of failure of the organization are understood.
Fighting for survival assures unity and develops its own strength.
The skillful tactician accepts the attack in one area and strikes back in another.

Plan Coordinated Efforts

Foster actions that encourage internal cooperation.
Do not rely on the physical to win; victory comes only from a tenacious team united in purpose.
Set high standards for performance.
Utilize the strength of natural positions.

Press the Attack

Keep people united.
Manage calmly.
Be just and maintain order.
Understand there are things not to say publicly because this would aid the opponent.
Keep the opponent confused.
Make sure that everyone is motivated to succeed and avoid failure.

Learn Winning Ways

The leader is knowledgeable concerning:

The plans of allies and competitors.

The fields of conflict.

People who can win.

Always shape your strategy to the situation.

Chapter Twelve
Attack by Fire

Be Disruptive and Intrusive

Use the most decisive weapons available to attack.
Disrupt your opponent and intrude into that disruption.
Be as an entrepreneur in developing your offensive.

Consolidate Your Gains

Reinforce successful efforts and exploit opportunities that arise.
Encourage and reward the spirit of enterprise.
Lay plans carefully and take action.

Exercise Restraint

Attack only when you see an advantage.
Do not expend energy simply to gratify your own interests.
Do not attack to satisfy your own anger.
Losses cannot be recovered.
Be prudent and do not take rash actions.

Chapter Thirteen
Employment of Secret Agents

Invest in Intelligence Resources

A major effort requires major resources. Expect opposition from those who are burdened by this.
Do not ignore the rewards and honors which will help motivate people. Small sums can bring big results.
Allocate the resources necessary to gain the information you will need.
The cost of unnecessarily prolonged operations will be much greater than the cost of information which will help to win quickly.

Establish an Active Intelligence System

Good information is critical to success. This information must come from those who know the situation.
Beware of those who can only give opinions. This baseless information will mislead.
Develop a network that can provide information.
Send out people whose only purpose is to gather information.
Invite in all who can be a source of information.
Look for those special people who may have the most information about the situation.
Get all the information that can be lawfully gleaned from people whom you interview and from those you then employ.

Practice Counterintelligence

Do not do things which can give information to your opponent.
*
*Beware the visitor who gratuitously gives you information concerning your opponent. He may also be providing information about you to the other side.

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