

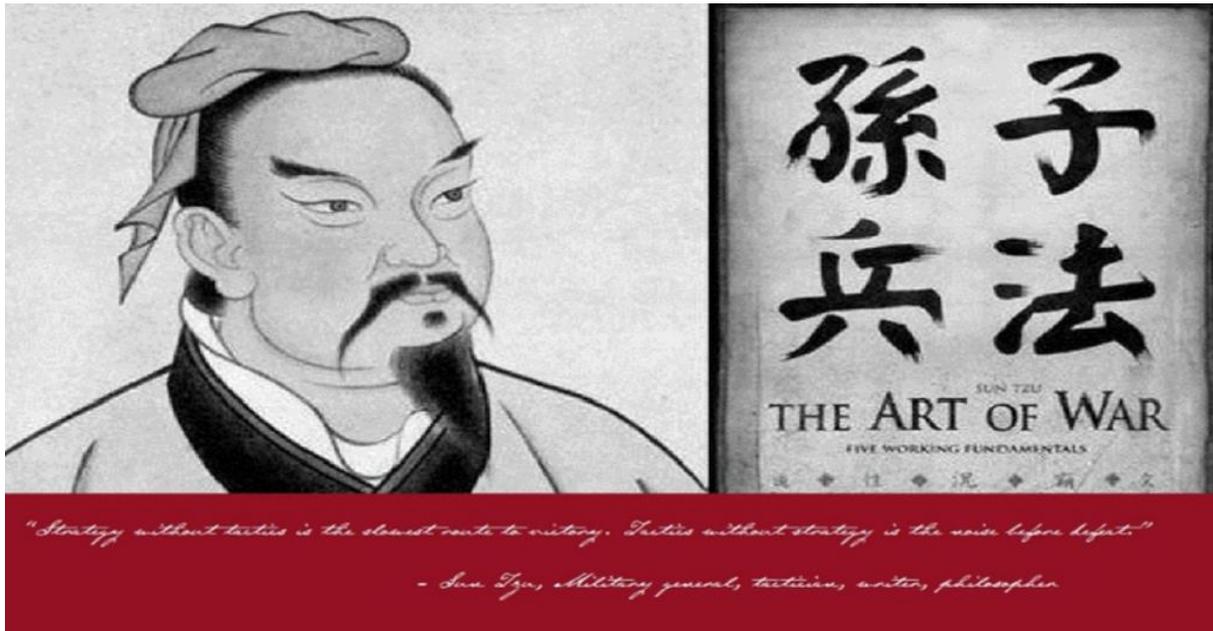


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Executive Search & Board Advisory

## **BUSINESS LEADERSHIP LESSONS FROM THE ART OF WAR BY SUN TZU**



During 475 BC and 221 BC, there was a period in China known as the Age of Warring States. It was an era of intensive warfare all around China as seven states fought for territorial advantage and dominance. Besides incessant warfare, and probably because of it, the period saw significant developments in society, commerce, agriculture, philosophy, and the arts. It was during this time that there arose a general from the state of Ch'i known as Sun Tzu, who served under King of the State of Wu as a military general and strategist. His great military prowess and ability to win victories for his warlord gained him fame and power. His victories at the wars inspired Sun Tzu to write "*The Art of War*", which became the most widely read military treatise in the world.

The author of the famous book *The Art of War*, Sun Tzu was a legendary military strategist in the history of ancient China. He was a master of "soft power" and the father of "agile warfare." Whenever possible, he preferred to win without fighting or, at the very least, to win the easiest battles first. Traditionally warfare in China was considered a kind of sport of the noble gentry in which chivalry prevailed and rules were not to be bent or broken. Sun Tzu, however, changed the rules by applying Taoist principles to warfare and refusing to consider war a sport. He had no patience with the protracted games that other generals seemed to enjoy playing. Instead Sun Tzu believed the priority of warfare was to defeat the enemy, not indulge oneself in chivalry which could only prolong the conflict and cost more

lives. “In war, then, let your great object be victory, not lengthy campaigns. Thus it may be known that the leader of armies is the arbiter of the people's fate, the man on whom it depends whether the nation shall be in peace or in peril.” Sun Tzu wrote.

A systematic guide to strategy and tactics for rulers and commanders, *The Art of War* depicts a philosophy of war for managing conflicts and winning battles. It stresses the importance of accurate information about the enemy's forces, dispositions and deployments, and movements. This is summarised in the axiom “Know the enemy and know yourself, and you can fight a hundred battles with no danger of defeat.”

### **Business Leadership Lessons from *The Art of War* of Sun Tzu**

As one of the world's most venerated books on strategy and leadership, *The Art of War* is far more than a military textbook. Strategic advice that it contains can be used in many more areas than just the conduct in the times of war. In fact, many great leaders like Napoléon Bonaparte, Margaret Thatcher and Ronald Reagan were proponents of this legendary book, even the President of the United States, Donald Trump. Corporate leaders like Bill Gates and Oracle's Larry Ellison are also indebted to the secrets of strategy and leadership from it. It has even appeared in the classic movie *Wall Street*, in which Gordon Gekko states, “I don't throw darts at a board. I bet on sure things. Read Sun Tzu, *The Art of War*. Every battle is won before it is fought.”

*The Art of War* teaches its readers that the most logical way to confront their competitors is to subdue them by never fighting them at all. In the business battlefield today, successful business leaders can also apply Sun Tzu's strategy and tactics to defeat their competitors and win market share. Here are some lessons that business leaders can learn from *The Art of War* of Sun Tzu.

#### **1. Avoid Strength and Attack Weakness**

*“An army may be likened to water, for just as flowing water avoids the heights and hastens to the lowlands, so an army avoids strength and strikes weakness.” – Sun Tzu*

Many businesses will launch direct attacks on their competitors in the hope of gaining profit. However direct, unsubtle and heads-down assaults on a competitor's strengths rarely works. Instead they drain a company's resources and rouse the other company to fight back strongly.

What a business must do is to find the competitor's weaknesses and capitalise on exploiting those. A perfect example of this is Costco. Instead of offering too many Stock Keeping Units for a certain product category like its competitors Walmart and Target, Costco only sells bulk goods through its warehouse-style stores and it keeps frills to a minimum. Pairing this with a membership fee (currently \$60 per year), the customers can get access to what is usually the best deal around. By focusing on the competitors' weakness, Costco maximises its gains while minimising the use of resources. This, by definition, increases its profits and makes it outperform both Walmart and Target in the United States.

## 2. Use Foreknowledge to Maximise the Power of Business Intelligence

*“Know the enemy and know yourself; in a hundred battles you will never be in peril.” – Sun Tzu.*

According to Sun Tzu, success in surpassing and suppressing a competitor's capacities can be achieved partially or wholly by the adept creation and exploitation of information, knowledge, and beliefs, as well as deep understanding of your own strengths and weaknesses.

This lesson from Sun Tzu is all about knowledge or as we would call it data and business intelligence in the modern business environment. From small retail stores to large corporations, data is reshaping the way we do business in every perspective you can think of, from understanding the customers to streamlining the internal processes of companies. There is no doubt that once organised the task of interpreting and analysing data to gain insight of customers and competitors paves the way to a gold mine for businesses.

Amazon is one of the best examples of successful use and implementation of data and business intelligence in today's business world. With strong capability of big data and business intelligence, Amazon does not only provide recommendations based on its customers' search and purchase history, they even start the process of shipping a product before you even buy it! Anticipatory Shipping, as their patent is called, is the process of shipping an item to a customer in anticipation of the purchase. Amazon is so confident in their big data that they know you will order a product before you even confirm it. By the time you click the button to close the sale, your product is already on its way.

Harnessing the relationships in data means that businesses are not only making decisions on past events, but can undertake precision forecasting to drive operations and customer experience for the future.

## 3. Use Speed to Overcome Your Competition

*“Speed is the essence of war. Take advantage of the enemy's unpreparedness; travel by unexpected routes and strike him where has taken no precautions.” – Sun Tzu*

In business, as in war, speed is essential. The changes companies face, whether social, technological, political or economic, are only accelerating. If a company cannot move rapidly to respond to market changes, it will not survive.

In September 2013, Nokia announced that they had been acquired by Microsoft in a deal valued at US\$7.17 billion. At the time, Nokia's CEO Stephen Elop ended his speech with the following words “We didn't do anything wrong, but somehow, we lost.” Nokia has been a respectable company. They didn't do anything wrong in their business, however, the world changed too fast. “They missed out on learning, they missed out on changing, and thus they lost the opportunity at hand to make it big. Not only did they miss the opportunity to earn big money, they lost their chance of survival.” commented by Ziyad Jawabra, a management consultant in his blog on LinkedIn.

To fully exploit the business intelligence one has obtained, in *The Art of War* Sun Tzu states that you must be able to act with blinding speed. To move with speed does not mean that you do things hastily. In reality, speed requires much preparation. Reducing the time it takes your company to make decisions, develop products and service customers is critical. To think through and understand potential competitive reactions to your attacks is essential as well.

#### 4. **Develop Your Character As a Leader to Maximise the Potential of Your Employees**

*“When one treats people with benevolence, justice and righteousness, and reposes confidence in them, the army will be united in mind and all will be happy to serve their leaders.” – Sun Tzu*

In Sun Tzu’s philosophy, to be a great leader doesn’t require just intelligence, but also character. The leader should be wise, sincere, humane, courageous and strict. They must also always be “the first in the toils and fatigues of the army”, putting their needs behind those of their troops.

Sun Tzu outlined five requirements of great leaders. They are:

- **Wise and strategic:** They should be able to think strategically, respond quickly to changes, and anticipate the moves of the enemy;
- **Trustworthy with integrity:** He who knows how to handle both superior and inferior forces will win;
- **Benevolent and Sympathetic:** They need to love and protect their troops and the people they are fighting for. They need to treat people with respect and kindness, thereby winning the hearts of followers;
- **Courageous:** A great leader requires courage to make quick and difficult decisions; and,
- **Strict and disciplined:** They should have high standards for the troops as well as the determination to preserve them. In the modern business world, great leaders should have a clear reward, discipline and performance management system.

The teachings of Sun Tzu extend far beyond the warfare because they are focused on finding the easiest way to achieve a specific goal. These principles have been utilised throughout time in both the military arena and the business world to build creative strategies and achieve lasting success. If you use them properly, they will bring you success as well.

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## BACKGROUND

### Blenheim Partners specialise in:

- Executive Search;
- Non-Executive Director Search;
- Board Strategy and Structure Consulting;
- External Succession Planning; and
- Executive Re-Engagement / Transition.

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Our consultants have worked with clients from all sectors and a broad range of geographies. They include over 80 of the ASX 100, 10% of the FTSE 100, Private Equity, Multinational, Private Family and Mutually Owned Companies.

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