

Dialogue, Debate, and Discussion

Introduction to ‘Western Perceptions of Chinese Business: Sun Tzu and the Misuse of History’

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Are classical writings misused in management studies? Here are three perspectives that seek to articulate the potential, or lack thereof, for learning from the ancient classic by Sun Tzu. What does the *Art of War* teach us about business or should we turn elsewhere, for example, to the Merchant Manuals of the late Ming period as Greg Clydesdale proposes, for relevant learnings? Does such studying require cultural knowledge and its particular application is the topic of Runtian Jing and Mei Dong. More generally, how should we as strategists approach the ancient Chinese wisdom, ponder two authors, Peter Ping Li and Monsol Young, in their commentary. 2500 years after its writing, the work is still controversial!

Western Perceptions of Chinese Business: Sun Tzu and the Misuse of History

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WAR AND BUSINESS

Sun Tzu's *Art of War* has been highly popular with professionals and academics alike in the 1990s and 2000s. Since the 1990s it has been adapted to a large number of business purposes from project management (Kiat & Pheng, 1992) to marketing (Macdonald & Neupert, 2005); strategy (Chen, 1994) to small businesses (Sheetz-Runkle, 2014). Ironically while researching a book on the history of Chinese business, I found no evidence that the *Art of War* ever inspired Chinese business or management practice in the past. Which raises the question, has this historical document been misused by management?

It is a legitimate practice to examine other disciplines and other time periods for inspiration in theory development. However, it can also result in inappropriate use of historical texts. With this in mind, a number of concerns exist over the *Art of War*'s relevance to business. First, it is not a business book, but a military book. Second, it is set over two thousand years ago, in a very different context to modern businesses. Third, there seems to be little investigation into whether it influenced business in its home country and whether other texts have been more influential.

Chen (1994) argues that Sun Tzu's strategic thinking has value because of the similarities between war and business, in particular both are competitive, confrontational activities that require gaining a superior position to your enemy. But this immediately exposes one of the key problems with drawing on military strategy. In war, the focus is on the competitor. By contrast, in business the focus is more commonly on the customer who makes decisions on the effectiveness of the competing parties through their purchases. Businesses must give significant consideration to those decisions and the processes by which they are made. There is no such decision maker in war, which renders the military comparison decidedly lacking for business education.

Another problem is the difference in intensity of that competition. For example, Sun Tzu begins his book by saying that war 'is a matter of life and death, a road to either safety or ruin'. Business, by contrast is not a matter of life and death. A poor decision made in business is not likely to cost the lives of 10,000 men, and even if the business fails, workers can often find other employers. Even when businesses are competing, it may not be in anyone's interests to see a competitor vanquished. For example, Low and Abrahamson (1997) noted that a number of competing firms can help educate consumers and develop markets for new products. In which case, a young company may benefit from the existence of competitors.

Even as a positioning guide, the *Art of War* is a poor text. Sun Tzu operates with one competitor, the enemy. This particularly undermines its use as a positioning model. In war, an entity is juxtaposed against one competitor, while a business must position itself between a number of competitors.

Another issue is the importance that Sun Tzu places on deception. Sun Tzu gives it prime importance saying, 'All warfare is based on deception'. By contrast, business is not necessarily characterised by deception. It can actually be in a business's best interest to indicate its intention. For example, the British economist Richardson (1960) noted that if businesses are not aware of what other businesses are doing, it can lead to over-investment which hurts the whole industry. They might even signal to the market what they are doing in order to build up demand. Even in the early stages of product development, they are more likely to be engaged in secrecy rather than deception. Jing and Van de Ven (2014) recognise the role of secrecy in Chinese business in that it allows managers to adjust their plans to suit the environment without losing respect or authority.

The temporal differences in competence are also of importance. Drawing on game theory, Madansky (2005) noted that the length of time of an interaction

impacts on the nature of that interaction. A relationship conducted over the short term may lead to more selfish behaviour, but long-term interaction will lead to more investment in the relationship. War may involve a number of battles, but it is effectively a one-time transaction. By contrast, in the business world, a great deal of activity and investment is made in long-term relationships with clients, suppliers, and employees. Seen in this light, war seems a very poor analogy to depict Chinese business in which *guanxi* is seen as a pivotal strategy.

The importance of this can be seen from this letter written by Yang Wan-li in the twelfth century. He spoke of a rich man who was encouraged to do all his own work and not rely on other businesses. Within three years of doing so, he became poverty stricken:

Why was it that, formerly, he had shared and yet been wealthy, and, latterly, had kept everything to himself and yet become poor? ... This is simply because people exchange with each other and merchants exchange with merchants. (cited in Yoshinobu, 1992: 29)

Ou-yang Hsu, who wrote in 1040, made similar observations, stating that great merchants get rich by relying on others. He notes 'He has to have peddlers and lesser merchants among whom he shares out this task' (cited in Yoshinobu, 1992: 194).

These two quotes illustrate the importance of building workable relationships. Business is not a selfish fight for survival. The goal is to establish relationships and cultivate *guanxi* and engage in mutual benefit. Of course, it is important to differentiate between those businesses that share the same supply chain and those that are competitors. But this distinction does not exist in the military text. That is not to say that deception in business did not occur. Duplicitous activities occurred often enough for the government to introduce laws governing market activity. For example, Tang 'Code 26 article 32' was written to ensure that traders do not use false weights and measures to cheat clients. It states:

In all cases where private persons have themselves made measures of capacity, steelyards and measures of length which are inaccurate, and have used them in the market, the punishment shall be a beating of fifty strokes. (Twitchett, 1966: 243)

This reveals another problem with applying the *Art of War* to commerce. There were no rules governing war, whereas commerce does have laws with implications for the development of strategy and success. Secondly, armies do not have an independent power above them capable of imposing rules of engagement.

There are certainly records of businessmen who used war-like strategies. For example, Wang Ko built up a fortune during the Southern Song dynasty, which included two foundries employing five hundred workers, a wine retailer, a lake-based fishing venture, and a mountain whose trees were used to make charcoal. His strategies included building alliances and intimidating competitors. However,

in treating some like enemies, he created a situation which eventually caught up with him and he was executed (Eberhard, 1957). Wang Ko's enterprise stands in sharp contrast to that set up by Sun Chunyang in the Ming dynasty:

Beginning with a small workshop situated in Suzhou's trade quarters, his business soon expanded into a huge bonded warehouse situated in a building that would have done a government office proud. ... Such was this man's name that even the Qing imperial household obtained its provisions from his Warehouse... This great warehouse retained the same ownership and prestige for most of the Qing dynasty. Around 1840, Qian Yong exulted the establishment's efficiency and prosperity. (Santangelo, 1993: 91–2)

Sun Chunyang gained a reputation for providing value to customers and his business continued to thrive two centuries later. By contrast, Wang Ko treated others like enemies and came to a bad end. Of course, relying on entrepreneurs from history invites the accusation of cherry picking, as well as leaving us uncertain as to how indicative these examples are. A more reliable insight in to the merchant mentality can be found by exploring merchant manuals.

MERCHANT MANUALS

Merchant Manuals first appeared in the late Ming period. They evolved from route books that were written for merchants and gentry who needed instructions on how to travel safely between various destinations. Over time, advice was added on how to conduct business in these locations (Lufrano, 1997). The goals of the publishers and authors were the same as those writing and publishing the *Art of War* today, that is, monetary gain. There were approximately 30,000 new markets created in China between the sixteenth and nineteenth centuries with opportunities for those who understood commercial practice. This provided a market for those who could write on commercial techniques. The books targeted those seeking economic opportunity, including the merchant community and those seeking to join the merchant ranks (Lufrano, 1997).

While profit was a motive in publishing books, the authors all had, to some extent, a desire to teach Confucian morality. Lufrano (1997) states that the books were written within a culture of self-cultivation, which stressed that by practicing the values of the Confucian gentleman, merchants were most likely to have success and obtain wealth. Chen (1997) came to a similar conclusion noting their high moral qualities and that, by engaging in socially accepted practices, a merchant could enhance his social status. For example, *Essentials for Tradesmen* (*Gongshang qiyeao*) stressed the values of benevolence, righteousness, propriety, moral knowledge, and sincerity. *Solutions for Merchants* (*Keshang yilan xingmi*) explicitly referred to the three bonds and five relations that provide the basis of Confucian society (Lufrano, 1997).

The question is ‘do these manuals accurately reflect Chinese commercial practice or are they like the business ethics teachers of today who are criticised for not adequately reflecting the adversarial nature of business?’ Notably, the books exhorted their readers to follow ethical ideals and engage in moral commercial practices, but they assumed that most of the people that merchants dealt with were dishonest and would lie, cheat, steal, even murder if gain could be made from it (Tam, 2009). For that reason, much of the manual’s content is devoted to identifying and avoiding such behaviour.

Tam (2009) states that fraud was a general malaise in late Ming society, and at least one manual actually advises to engage in one immoral practice. The manual *Essential Business*, (*Maoyi xuzhi*) advises tradesmen to ‘weigh his customers silver a little lighter and his own a little heavier’ (Lufrano, 1997: 152). However, Andrews’ (2011) translation of the same manual states that weighing cash must be done in an honest and transparent manner. In particular, it must be done in front of the customer, and if by chance, a merchant is paid too much, it must be returned:

.... if you are given too much, due to his error, you must return it. ... You cannot take money that is not rightfully yours. (Andrews, 2011: 73)

The merchant manuals are consistent that morality was essential in commercial dealings. If a shopkeeper gained a reputation as a respectable gentleman and fair treatment, it would enhance business. It would create the same reputational affects that modern marketers stress in branding. The merchant manual *Essential Business* stresses that it is important not to deceive customers for this would lead a merchant to lose future custom. This stands in sharp contrast to the *Art of War* which stresses deception (Sun Tzu, 2004).

Brook (2004) states that this was a period in which China was contending with a rise of commercial activity which was juxtaposed to traditional values that placed merchants at the lowest levels of society. Seen in this light, the books could be seen as an attempt to give commerce and merchants a favourable status by enhancing moral practices. However, this was not just impression management. The books are firm on the fact that moral practices enhanced profit in the long term. Lufrano (1997: 10) concurs stating most ‘scholars agree that actual merchants wrote the Qing merchant manuals and that these guidebooks accurately reflect the commercial world and the merchant mentality at the time’.

A notable difference between Sun Tzu and the manuals is their approach to staff management. Sun Tzu stressed iron discipline. One of his most famous stories does not come from his book but from a description when serving the King of Wu. The King asked Sun Tzu if his theories could be applied to women. Sun Tzu said yes and was given 180 ladies of the palace to drill, led by the King’s two favourite concubines. However, the ladies responded to instructions by giggling. In order to install discipline, Sun Tzu had the king’s favourites executed. After this, he had no problems gaining obedience from the women. This story stands in sharp contrast to that advised in the manual *Solutions for Merchants* which states:

If I supervise and regulate (the clerk), he will certainly not feel free. Resentment and anger will arise. His determination will slacken, and not only will he be unwilling to exert himself, he will also indulge his private desires and rejoice in my losses. (cited in Lufrano, 1997: 103)

This comparison shows that the difference in intensity of competition in war and business requires different levels of discipline. However, the modern adaptations do not acknowledge the different nature of the competition.

Madansky (2005) noted that business strategy operates with a longer time horizon than war and, once again, the merchant manuals bear out this difference. This is because the business represented the future livelihood for the family, as *Solutions for Merchants* states 'In dealing with friends and partners, you are not only dealing with money; the future of your family is also involved' (Lufrano, 1997: 95). The handbooks advised merchants not to look for quick overnight gains. Wealth should be obtained through long, slow, steady profits (Andrews, 2011). This was consistent with Taoist and Confucian philosophies that believed the best path was the middle path of moderation. In so doing, a merchant achieved balance and protected the future generations. The high importance of the family is also embedded in Confucianism, and together with *guanxi* (cultivating relationships) had a profound effect on shaping Chinese business behaviour, providing a long-term focus and an emphasis on building trusted relations without deception.

Taoism was the other influential philosophy. It stressed the alignment of human action with environmental forces; an outlook compatible to businesses operating in a dynamic environment. Studies reveal that contemporary Chinese businessmen are still influenced by Taoist thought and vary their strategies depending on the momentum existing in the environment (Jing & Van de Ven, 2014).

A final cross reference to commercial activity can be found by referencing to the guilds, which did not exist in Sun Tzu's day. Their origins can be traced to the Song dynasty, culminating in the Ming and Ching dynasties (Golas, 1977). The rules and values they created provided mutual protection and reduced the risk of trade. This led to accepted criteria of conduct, reinforced by the guild's culture. Du, Weng, Zeng, and Pei (2015) examined guild culture in China and found that certain principles dominated that would seem to support what is stated in the merchant manuals. Du et al. (2015) stated that Chinese merchant guild culture mainly embodied Chéngxìn (honesty and credibility, Yìlì (appropriateness/righteousness prior to benefits), and Gǔrú (Confucian businessman). These values were essential to reduce costs associated with the principal agent problem and unethical managerial behaviour. These values helped to create social capital that enabled businesses to trust and work together. It also provided customers with confidence and therefore facilitated market growth. The Guilds themselves practiced these values, engaging in charity work and helping members in need.

An example of these benefits can be seen in Limlingan's (1986) description of overseas Chinese business communities in the twentieth century. He noted that

merchants placed great care in developing a reputation for integrity and ability. If a merchant gained such a reputation, it enabled him to raise loans at lower interest rates from within the group. With a strong reputation, a merchant could mobilise resources quickly and seize opportunities as they appeared.

DISCUSSION

The interest by Western business in the *Art of War* stems from the late 1980s and 1990s; a time when the Chinese economy was under-going rapid transition. There was an excitement that ancient Chinese wisdom could inform business practice. Texts from other time periods and disciplines can fuel cross-fertilization and enable business theorists to see how similar concepts have been viewed in different situations. However, great care is needed when using a work that is both from a different time and a different discipline for it can result in something of limited value.

In some cases, authors have attempted to place modern strategies in Sun Tzu's typologies. For example, MacDonald and Neuport (2005) use Sun Tzu's description of terrain that armies face as a metaphor for the types of environments that marketers face. In such cases, Sun Tzu's typologies are not chosen because they are the best ones for learning nor the best for illustrating marketing concepts. It is simply an opportunity to see whether strategy can be redefined in line with the old typology. The emphasis is on finding fit, as drawing on ancient knowledge is an attractive publishing option.

In other attempts to present a positive fit, authors have identified commonalities between war and business. However, to provide true in-depth analysis, authors must also identify the differences. In the case of war and business, a number of differences exist, particularly in the nature of competition. These differences have implications for strategy, and reinforces the need if drawing on other disciplines and time frames for theory development, the differences must be identified.

Two common approaches to the analysis of historical documents are eisegesis and exegesis (sometimes referred to as hermeneutics). Exegesis can be interpreted to as 'drawing in' and refers to critical analyses of a text with consideration of the historical and cultural context, the audience and the backgrounds of the author. In so doing, a more accurately meaning of the text can be found. By contrast, eisegesis can be translated as 'drawing in' and refers to a technique where an author imposes his/her own subjective judgement on to a text. It enables an author to impose their own presupposition on the text. This is the situation when authors place 'old wine in new bottles'.

Use of the *Art of War* by modern authors has been done on a basis of eisegesis, imposing their business ideals on a military text. This is not a necessarily a bad thing as everyone accepts that Sun Tzu wrote for a military audience. Theory development can often occur by referring to similar activities and analysing them for purposes they were not intended. However, it can lead to significant distortions

and misuse of the document. With this in mind, this paper offers some guides to the use of historical documents for theory development.

Full description must be provided of the characteristics of the participants. Not just the competitors, but clients, law enforcement agencies, guilds or merchant associations. This paper noted that in war, the focus is on the competitor but, in business, the customer is an additional if not prime focus for strategy; a focus absent from war. Similarly, in the *Art of War*, the focus is on one competitor or alliance, but in business there is typically more than one competitor, and this has important implications for positioning.

There is a need to clarify the rules and boundaries of both activities, the one defined in the historical document and the one to which it is being applied. This includes laws and regulations. In the case of commerce, such rules do influence success and consideration must be given to the party with the power to enforce such rules. In war, no such party exists.

A full description must be provided of the temporal dimensions of the activity. While war's short-term focus facilitates deception, business in China is about cultivating relationships of trust. Business in China takes a long-term perspective as it is the income for the family. It also draws on Confucian values of filial piety, and is reinforced by both Taoist and Confucian beliefs that stress a middle path. By contrast, war takes a short-term view.

A full comparison must be made of the goals of the participant. In business, it is not always in one's best interest to vanquish competitors, and there is a huge difference in the intensity of competition with war being a life and death situation. This has implications for human resource practice and strategy. Consistent with this is the need to compare the methodologies the participants use to achieve their goals including how resources are attained. For example, when businesses are reliant on reputations to raise funds, a history of deception will be a significant handicap.

This last point is particularly apt when we consider use of the word 'Art' that appears in the title. In this context, it refers to a 'high level of skill', and can be referred to in both war and business. The *Art of War* provides in depth technical knowledge of value to military strategists. The technical detail is lost when transposed to business. Merchant manuals also provide valuable in-depth technical knowledge, but on business activities. These activities are decidedly missing from the *Art of War*, and for good reason. The *Art of War* was never written to describe business activity or practice. Those writers are putting it to a use for which it was never meant. The irony is, China possesses a rich literature of more relevant texts that Westerners can learn from, merchant manuals.

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