

Dialogue, Debate, and Discussion

How to Approach the Ancient Chinese Wisdom? A Commentary Concerning Sun Tzu's *The Art of War*

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The central theme of this commentary is that *The Art of War* is not only highly useful for Chinese business historically in particular, but also universally relevant for global business (including Chinese business as an integral part) in general at the present time and also in the future. We will discuss three issues to elaborate the above central theme: (1) the essence of *The Art of War*, (2) its historical relevance, and (3) its modern and global implications.

THE ESSENCE OF *THE ART OF WAR*

Sun Tzu, a Chinese military general and strategist during the *Spring and Autumn Period* (722–481 BC), a time of unprecedented political and military turmoil, wrote the earliest and still most revered military treatise in the world. As the best-known military work, both at home and abroad, the masterpiece of *The Art of War* was written by Sun Tzu about 2,500 years ago. The fundamental reason for the high status of *The Art of War* lies in its unique strategic thinking. It consists of the theme of 'Tao' at the core of the overall framework, and other strategic ideas over thirteen chapters. Though *The Art of War* is broadly recognized as the 'bible' of military strategy, its unique strategic thinking is also widely utilized in other domains, such as politics, business, and sports, among others. In particular, *The Art of War* bears close connections to business, especially in the area of strategic management.

At the start of *The Art of War*, Sun Tzu wrote, *The art of war* is governed by five constant factors (see [Figure 1](#)): (1) Tao (道); (2) Heaven (天); (3) Earth (地); (4) General (將 for the strategist); (5) Law (法 for the method) (Ames, 1993). The above framework can be regarded as Sun Tzu's central perspective directly derived from Taoism. Both 'Heaven' and 'Earth' represent the external contexts for both 'General' and 'Law', and all these four factors are governed by the core factor of

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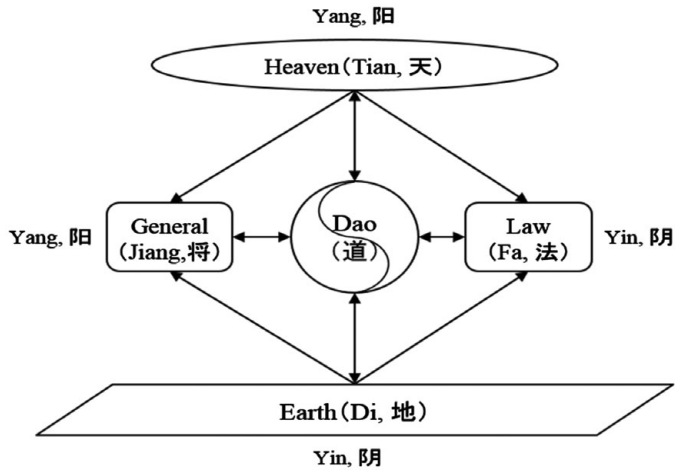


Figure 1. The five constant factors in *The Art of War*

‘Tao’. According to Yin-Yang thinking at the core of Taoism, ‘Heaven’ is related to ‘Yang’, while ‘Earth’ to ‘Yin’; ‘General’ to ‘Yang’, while ‘Law’ to ‘Yin’. The oldest classic book in China, *The Books of Change* (易经) says ‘the balanced pair of Yin and Yang defines Tao (一阴一阳之谓道)’. This philosophical theme is featured throughout *The Art of War*, which explicitly demonstrates that *The Art of War* is more than a piece of writing about warfare; it is a masterpiece about military philosophy in particular, and any competition – related philosophy in general. In that sense, *The Art of War* could be framed as an inexhaustible source of wisdom on which business can draw valuable inspirations both theoretically and practically.

In particular, there are two sets of unique ideas as the most essential in *The Art of War*. The first set is related to Sun Tzu’s general perspective and attitude toward warfare, such as prudence in waging war (慎战), and victory without battle (不战而胜). The second set is related to Sun Tzu’s specific strategies and tactics about competition, such as normal-abnormal balancing (奇正); real-fake balancing (虚实); strength-weakness balancing (强弱); static-dynamic balancing (静动), and knowing-oneself-knowing- other balancing (知己知彼). It is worth noting that the second set is anchored at the unique notion of *Shi*^[1], which refers to *situational momentum*^[2] (Jing & Van de Ven, 2014; Jullien, 2004). The above two areas are directly related to the two incorrect claims made by the author of ‘Misuse of History’. First, Clydesdale (2017) mistakenly frames *The Art of War* merely as a book on military battle. Second, he fails to see the inherent connection between warfare and business, especially in the domain of strategy. Needless to say that a holistic and dynamic thinking, as part of Yin-Yang balancing, is largely shared by both warfare and business, at least in the area of strategy. This reminds us that we as scholars engaged in Chinese indigenous research should develop a deep understanding of the Chinese classics. Further, to rejuvenate ancient Chinese wisdom, a ‘modern’ reinterpretation of historical classics as the Chinese ‘Renaissance’ is necessary. To

achieve this goal, two discourses are required: a discourse between ancient wisdom and modern knowledge, and also a discourse between research and practice (Li, 2012, 2016; Jullien, 2004).

THE HISTORICAL RELEVANCE OF *THE ART OF WAR*

It is truly surprising that the author of ‘Misuse of History’ severely ignored the rich evidence about the huge influence of *The Art of War* on business practices both in history and during modern times, both at home and abroad. Here we focus on the historical evidence. Take Bai Gui (白圭), the founding father of ancient Chinese business, as a historical example. Referring to his approach to business, Bai Gui once said that ‘the way I do business is much like Yi Yin and Lv Shang in developing a strategy, also like Sun Tzu and Wu Qi in resorting to military forces, and Shang Yang in promoting the political reform (in the State of Qin) (吾治生产, 犹伊尹吕尚之谋, 孙吴用兵, 商鞅行法是也)’. With reference to Sun Tzu and other politicians and strategists in the pre-Qin period, it is clear that Bai Gui would plan his business operations out of the inspirations from those politicians and strategists, at least he has been influenced by these figures. There are at least four specific pieces of evidence concerning the influence of Sun Tzu on Bai Gui. First, Sun Tzu said in Chapter 1 of *The Art of War* that ‘Tao is the strong bond your people have with you. Whether they face certain death or hope to come out alive, they never worry about danger or betrayal (道者, 令民于上同意者也, 可与之死, 可与之生, 民不诡也)’; in Chapter 3 that ‘one who knows how to unite upper and lower ranks in purpose will be victorious (上下同欲者胜)’. In other words, Tao would unite diverse individuals together with their leader so that they will follow him despite high risks and dangers. That is what Bai did exactly to his staff that ‘he shares happiness and woe with his servants (与用事童仆共苦乐)’. Second, influenced by Sun Tzu’s best-known notion of ‘knowing the external context and the internal conditions (知天知地)’ as well as ‘knowing yourself and knowing others (知己知彼)’, Bai Gui ‘liked to observe market and harvest conditions (白圭乐观时变)’, and he knew ‘when it was the year of “rabbit”, it will be the time for a good harvest, but the next year will be a year without good harvest. When it was the year of “horse”, it will be a drought, but the next year will be a good year. When it was the year of “rooster”, it will be a year of harvest, but the next year will be a year without good harvest. When it was the year of “mouse”, a great drought will happen, but the next year will be a good year with favorable rain. Hence, when it came to the year of “rabbit” again, the value of his goods will double (太阴在卯, 穰; 明岁衰恶. 至午, 旱; 明岁美. 至酉, 穰; 明岁衰恶. 至子, 大旱; 明岁美, 有水. 至卯, 积著率岁倍)’. Third, in Chapter 2 of *The Art of War*, Sun Tzu wrote that ‘the important thing in doing battle is victory, not protracted warfare’ (故兵贵胜, 不贵久). Bai Gui obviously learned a lesson from this because he preferred ‘grasping the timing of money making just as accurate and fast as beasts and raptor captured their prey (趋时若猛兽挚鸟之发)’. Four, as the earliest

business entrepreneurship in recorded Chinese history, Bai Gui developed four core values for his apprentices, i.e., wisdom, courage, benevolence, and adamancy (智, 勇, 仁, 强). In his own words, ‘if a man’s wisdom were insufficient to be flexible; his courage were insufficient to reach resolute decisions, his benevolence were insufficient to select right choices, and his adamancy were insufficient to stick to his purpose, I will not teach him at all even though he is eager to learn the art of doing business from me (其智不足与权变, 勇不足以决断, 仁不能以取予, 强不能有所守, 虽欲学吾术, 终不告之矣)’. Coincidentally, the four core values of Bai are consistent with those recommended by Sun Tzu for a good military general that ‘a general is wise, trustworthy, benevolent, brave, and disciplined (将者, 智, 信, 仁, 勇, 严也)’.

In sum, from the above example of Bai Gui, we can catch a glimpse of how *The Art of War* has borne a fundamental influence over business practices historically in China. There are many other examples in the long history of China as well, but this is sufficient to repudiate the biased claim that *The Art of War* has never had any impact on the business practices in the history of China, as argued by the author of ‘Misuse of History’. Further, the impact of *The Art of War* is not confined to the past of China, but extending toward the present and the future as well as toward the rest of the world. These two issues will be discussed next.

THE MODERN AND GLOBAL IMPLICATIONS OF *THE ART OF WAR*

The salience of *The Art of War* to modern business practices in the global context can be readily seen in diverse domains and diverse countries. First, in the 1960s, *The Art of War* was introduced to Japan. Matsushita, the founding father of modern management in Japan, once claimed publicly that *The Art of War* was the magic guide for success (Wu, 2011). Second, the influence of *The Art of War* in the United States and Europe is also evident. For example, Gary Hamel, one of the world’s most influential management gurus, quoted Sun Tzu repeatedly in his publications (Wu, 2011). Ansoff (1965), the pioneer of modern strategy management, put forward a conceptual framework of strategic management with environment, strategy mode, and organization as the core components. It is interesting to note that Sun Tzu proposed a similar but broader framework of strategic management over 2,000 years ago. Specifically, Sun Tzu’s framework shared with the modern framework in three major aspects: (1) Sun Tzu’s recommendations of prudence in waging war (慎战) and victory without battle (不战而胜) not only echoes but also advances the stakeholders’ perspective; (2) his emphasis on observation and deliberation (‘in your deliberations, when seeking to assess external conditions, let them be made on the basis of comparative analysis 故校之以计, 而索其情’) not only echoes but also advances the approach to strategy formulation, and (3) his approach of ‘joining battle by the normal approach, but seeking the abnormal to win (以正合, 以奇胜)’ not only echoes but also advances

the ambidextrous perspective of strategic management in terms of exploitation-exploration balancing.

Second, if we turn to the case of modern project management, we would know that it has derived directly from military practices, especially from the US Department of Defense.^[3] This is another piece of evidence in support of the inherent link between warfare and business in the modern context. For example, the project evaluation and review technique (PERT) was developed by the US Navy^[4]; the Cost/Schedule Control Systems Criteria (C/SCSC) was developed by the US Air Force,^[5] and the Earned Value Management System (VMS) was also developed by the US Department of Defense.^[6] The last approach has been acclaimed by experts both in academia and practitioners as one of the dominant methods for project management in the 21st century.^[7] Byrne's *Whiz Kids* (1993) is yet another piece of evidence that warfare and business share many features.

Third, it is just in time to apply Sun Tzu's thinking to the current research on *coopetition*, which refers to a paradoxical balance between competition and cooperation (Bengtsson & Kock, 2014; Li, 1998, 2016). On one hand, cooperation must be more emphasized in the current contexts of global business, such as the emerging networked ecosystem, sharing economy, and also the required coordinated response to the new trend of anti-internationalization. On the other hand, *The Art of War* emphasizes the prudence in waging war (慎战) and victory without battle (不战而胜), so warfare and extreme competition are the last resort (e.g., 'warfare is important to a nation: it is a matter of life and death as well as survival or destruction, so it must be carefully assessed [兵者, 国之大事, 死生之地, 存亡之道, 不可不察也]'; 'if it is in your best interest, you may make a move; if not, stay where you are [合于利而动, 不合于利而止]'). We could extend this line of thinking to business in the sense that extreme competition is not a must for a firm, but only the last resort. Further, a firm's mission or vision should not rely on defeating its competitors but on creating a win-win situation. In other words, a firm should focus more on value creation for all stakeholders and less on value capture from some stakeholders, which are the two core dimensions of business model (Li & Cao, 2014). In fact, competition is unavoidable, but cooperation is more salient in a new world under high uncertainty, for which new business thinking can be inspired by *The Art of War*, such as the emerging paradigm of coopetition related to ecosystem, platform, and sharing economy. Hence, it is our position that *The Art of War* is highly relevant to both historical and modern business as well as salient both theoretically and practically. Next, we would like to discuss two examples in-depth to illustrate the above points.

Effortless Victory and Invisible-Touch Integration

To show how to apply *The Art of War* in our modern context, we first focus on the example of cross-border mergers and acquisition (M&A) in advanced markets by firms from emerging economies, which we refer to *reverse M&A*. Even though

reverse M&A is becoming one of the dominant strategies for firms from emerging economies to internationalize (Buckley, Elia, & Kafouros, 2014), it has not been adequately explained by the extant theories (Li, 2010; Madhok & Keyhani, 2012). In particular, post-M&A integration is always taken as the most critical in the M&A process, but the unique approach to reverse M&A is often characterized as 'light-touch' so as to be distinctive from the normal heavy-touch approach in the regular M&A process (Liu & Woywode, 2013).

According to our recent research, however, we have found that the above 'light-touch' approach is less accurate than our novel explanation about the true nature of the unique approach to post-M&A integration in the case of reverse M&A. We call our novel explanation 'invisible-touch' approach to capture the characteristics of lacking post-M&A integration on the surface but full of step-by-step integration beneath the surface. In other words, the 'invisible-touch' approach highlights the ingenious Eastern approach to post-M&A integration in terms of keeping the acquired intact (so as to avoid any extreme conflict and competition) but gaining a win-win synergy (so as to embrace healthy co-opetition as a long-term symbiosis). This approach reflects the first set of core ideas in *The Art of War* in terms of victory without battle (不战而胜), which is rooted in the Taoist central theme of 'inactive action' (无为无不为).

The Emerging Paradigm of Co-opetition

The rise of platform enterprise and ecosystem is transforming the landscape of global competition nowadays (Van Alstyne, Parker, & Choudary, 2016). After decades of relying on competition-centered models, such as the 'five-force' model and resource-based view (also core competence and dynamic capability), people have started to realize that competition is just one side of the coin, so the other side in the form of cooperation has begun to emerge, thus the growing popularity of co-opetition (Bengtsson & Kock, 2014; Li, 1998, 2016) as well as ecosystem (Rong & Shi, 2015). This is largely driven by the shifting context in terms of accelerated technological advances and increasingly dynamic customer needs, so the traditional boundaries between industries as well as between makers and customers have been fading rapidly. As a result, the platform-based business models, such as those of Apple, Uber, Airbnb, and Alibaba, have been disrupting the traditional competition-centered models.

The core of platform is to manage an ecosystem with diverse players who share various input and/or output as members of a symbiosis community, often along a shared value chain. A conventional firm can transform itself into a platform enterprise via a strategic shift from a narrow focus on value capture rooted in the traditional paradigm of pure competition to a broad emphasis on a balance between value creation and value capture, which is rooted in the new paradigm of co-opetition (Li, 1998, 2016).

The basic tenets of co-opetition as a new paradigm are highly consistent with the core ideas of *The Art of War*. Sun Tzu has made it clear that waging war is the last resort; if war is inevitable, the best approach is to win the war without any battle. Sun Tzu said in Chapter 6 of his book that an army cannot have constant *Shi*, just like water without any constant form or shape; those who are able to adapt and change flexibly in accordance with the competitive context so as to win the victory are called ‘divine’ (故兵无常势, 水无常形, 能因敌变化而取胜者, 谓之神). As Jullien put it, water is the closest to Tao as ‘the Way’. In this sense, the *Shi* of water is similar to that of platform for inactive actions (i.e., affecting others without engaging others directly, such as ‘victory without battle’), which is closely related to the perspective of co-opetition. These salient ideas bear inspiring implications for strategic management at the present time and more saliently for the future.

CONCLUSION

We posit that Chinese traditional philosophies have a lot to offer to the world, including their applications to business (Persson & Shrivastava, 2016). It is time for management scholars to take full advantage of the ancient Chinese wisdom through the Chinese ‘Renaissance’ with the discourses between the East and the West as well as between research and practice (Jullien, 2004; Li, 2012, 2016).

NOTES

- [1] ‘*Shi* is concerned with weighing the advantages and disadvantages in a situation for a decision (势者, 因利而制权也)’.
- [2] ‘Hence, an army does not have constant *Shi*, just like water without constant formation (故兵无常势, 水无常形)’.
- [3] Fleming Q. W. 1992. *Cost/Schedule control systems criteria: The management guide to C/SCSC*. Chicago, IL: Probus Publishing Company.
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