A Comparative Study of
Western Strategic Management Theory & Practices
&
Classical Chinese Military Works on Strategy

by
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A thesis submitted in fulfillment of the requirements for Ph.D.

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Statement of Authorship

I, Richard Hamilton Shrapnel, hereby declare that this thesis:

➢ Contains no material which has been accepted for an award or for any other degree except where due reference is made in the text of the thesis, save that this thesis paper represents an expansion and continuation of a Master of Business degree completed in 1998 (Shrapnel 1998) and therefore has naturally drawn upon the research conducted therein,

➢ To the best of my knowledge contains no material previously published or written by another person except where due reference is made in the text of the thesis.

➢ Does contain material that was commercially published by the candidate during the conduct of this research (Shrapnel and Gottliebsen 1999).

Signed:

Date: 02/01/2001
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➢ To the staff and student colleagues at SGSM who have made my time there an enjoyable experience.
Abstract

This research seeks to examine and describe the relationship that exists between three distinct vertices within the triangulation formed by:

- Contemporary Western strategic management theory,
- The strategic management practices of experienced Australian businesspersons, and
- Classical Chinese military strategy.

The preliminary aim of the research is to describe the relationship that exists within the triangulation, however, the ultimate goal is to consider whether such examination may provide an alternate framework for strategic management thought.

The process of comparison required that each of the individual vertices be examined within their own right while also ensuring that a common basis for such comparison between the vertices is built. Such commonality was achieved by considering five central questions at each vertex, the questions were:

- How do you decide what action to take?
- What purpose do strategies fulfil?
- Who are the best people to decide what should be done?
- When considering what to do, is there a particular base you always come back to?
- Are there certain traits/attributes, which make a business more competitive?

Accordingly, the research proceeded in a circular fashion and provided the following contributions to knowledge, a:

- Critical review and summary of contemporary Western Strategic Management theory at a macro level,

- Description of the strategic management practices of experienced Australian businesspersons drawn from both qualitative research
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Abstract

(interviews) and quantitative research (survey questionnaires) initiated from the summary of Western theory, and

- Critical review and summary of classical Chinese military works of strategy initiated from the summary of Western theory and practices.

In addition the research drew the following conclusions:

- From the identification of each of the vertices within the triangulation a comparative pattern described as evolutionary was noted. It was considered that the classical Chinese theory provided an integrated and consistent approach to strategy that was, despite its origin, applicable to the contemporary business scene. While Western strategic theory was found to be fragmented, inconsistent and in a form not readily applicable to the same business scene. The practices of experienced Australian businesspersons were found to be consistent with Western theory but also in some respects more developed than Western theory and further along the evolutionary trail toward classical Chinese theory.

- The more evolved state of classical Chinese theory is attributed to the fact that it was developed and codified over some 1200 years in extremely harsh conditions that did not forgive mistakes and had survived a further 2000 years of market use, whereas Western theory is a comparative infant at only 40 years of age. In addition, the dominant philosophy that was present at the time of the formation of classic Chinese theory lends itself to the creation of strategic thinking. It can also be said that the traditional dominant modes of Western thinking arising from Judaeo-Christian and even early Greek thinkers do not underwrite a pattern strategic thought that is effective in the contemporary business world.

- The classical Chinese system is one that has identified the systemic issues that exist in competitive environments. The authors in this field have also developed consistent paradigms over its 1200 year history of practical testing. This system recognises that competition is not a science but an art and as such there are certain skills that must be mastered and natural rules that should be followed. Further, that
ultimate victory depends solely upon the ability of the strategists. There is no one method, there is no sustainable advantage, there is no certainty; there is only continual change and human effort.

Comparatively, Western thinkers tied to their economic imperatives seek the ability to control and determine the best solution that may be applied repeatedly.

Finally, the projection forward of the strategic thought identified through the comparison gave rise to a strategic management model that may be divided into systemic and tactical considerations. The systemic issues revolved around the characteristics that were necessary to build an organisation that would be capable of effective competitiveness and strategic thinking. These systemic issues focused on the worthiness of leaders and the relationship they built with their people. The tactical considerations relate to interaction with competitors and positioning oneself in the change continuum to ensure victory in a dynamically changing environment.
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Chapter 1: Introduction to Thesis

This research represents a comparison between:

- Contemporary Western strategic management theory
- The strategic management practices of experienced Australian businesspersons, and
- Classical Chinese military works on strategy

The aim of this research is to examine the classical Chinese military works on strategy and to consider whether they are able to proffer any concepts that may be of benefit to contemporary Western strategic management theory and in turn, the business practices of experienced Australian businesspersons.

Is it possible to build an alternate framework for strategic management thought through the infusion of classical Chinese military thought into contemporary thinking?

This aim is achieved through a research methodology structured upon a triangulation of contemporary Western strategic management theory, the practices of experienced Australian businesspersons and the classical Chinese military works on strategy, in
which the core of the triangulation is the formulation of an alternate framework of strategic thinking.

The distinct contributions to knowledge (that demonstrate a substantial degree of originality and independence) which are expected to arise from this research are:

- A critical review of strategic management literature that succinctly summarises the major components of Western theory to date.
- A concise description of the strategic management practices of experienced Australian businesspersons.
- A critical review of 1200 years of classical Chinese military literature on strategy that highlights those elements relevant to contemporary business practices.
- A synthesis of thought arising from the triangulation of the three items above and the creation of a model that blends the various concepts together.

The research methodology noted above will progress in a cumulative circular fashion with:

- *Firstly*, the determination of contemporary Western strategic management theory through a critical review of literature with the drawing of key criteria. Such key criteria being reflective of the dominant theories evident from the literature.

- *Secondly*, the examination of the strategic management practices of experienced Australian businesspersons using the framework of the key criteria established above. Such examination is undertaken using both qualitative (unstructured scheduled interviews) and quantitative research methods (survey questionnaire forms). Practices are then compared against contemporary Western theory to develop a model of theory and its application in practice and to build from there a merged list of key criteria.

- *Thirdly*, a focused critical review of classical Chinese military works on strategy directed by the determination of contemporary Western strategic management theory and the practices of experienced Australian businesspersons noted above (that is, the merged list of key criteria). Such focused critical review seeks to identify and highlight those concepts that are relevant to the principal aim stated.
And finally, the drawing of conclusions identifying the relevant concepts that have arisen from the triangulation process and expanding those concepts into a model that maybe blended with prevailing strategic management theory.

Considering each of the vertices of the triangulation:

*Contemporary Western strategic management theory* may trace its origin back to the early 1960s in the business policy schools of America. Since that time the field of study has grown significantly in importance and has become an essential element of study in most business management programmes (Browne and Steane 1994). However, it is also a field of study that has failed to date to develop a central or dominant paradigm that has won a majority of support by either the academic or business community (De Wit and Meyer 1994, p. xiii).

Some describe the process of growth and development that strategic management has gone through as reflecting a pattern of *flavor of the year* concepts being developed, published, embraced by the business community and then subsequently rejected when they have failed to live up to expectations (Micklethwait and Wooldridge 1996). Others would merely see such a process as common to any field of study that is evolving. Shapiro in her commentary of management theory believes that managers should view the theories advanced as merely a broad range of suggestions. Managers must choose those suggestions that fit their understanding of what they need and why and then adapt them to their environment (Shapiro 1997). However, whatever view may be taken of the process of the development of strategic management theory, it would seem that at the present time that this process has stalled and that researchers in the field are attempting to find a new foundation upon which to continue the growth of knowledge (McGee 1999). Gary Hamel, a well-known contemporary strategy writer, describes the strategy discipline as one that has *no foundation* at a time when deep strategic thinking is critically needed in business. He believes strategist (researchers and practitioners) have failed and need to reinvent the field of strategy leaving behind their focus on process, content and context (Hamel 1998).
The second vertex of the triangulation is focused at experienced Australian businesspersons and seeks to draw upon their personal experiences, beliefs and attitudes. It is not directed at corporations or corporate business units but at the individual within their own right. Such a focus attempts to remove the distortions and influences of control and communication which tends to cloud the study of strategy.

Studies of strategic management practices by Australian Corporations have generally found that these corporations adopt a strategic planning model (Bonn 1996). However, studies of the practices of businesspersons in Melbourne found that although these individuals adopted recognised strategic management practices, their principal areas of focus (the key items they saw as important) were not consistent with contemporary Western theory nor were strategic planning models in use. A clear gap between theory and practice was evident. It was also noted that the practices described by businesspersons seemed more consistent with the classical Eastern works on strategy than Western works on strategic management (Shrapnel 1998).

Classical Chinese works on strategy have always been widely read and popular throughout Asia, however, they have over the last two decades also become well known within the Western world. The most recognised work is Sun Tzu’s Art of War (Sawyer 1993a, p.viii). Generally in the West these works have been read for novelty value or as a means of gaining a handle on Asian culture. But given these classical works represent an accumulation of proven knowledge over some 1200 years and have survived a further 2000 years they deserve more respect than is generally lent them by the Western business world. When this recognition is combined with the fact that these works deal with matters such as leadership, culture, motivation, strategy, organisational structure etc., then it should be considered surprising that a study of such works is not mandatory for all business managers and leaders.

This thesis paper is structured in four parts as follows:

Part One - Western Strategic Management Theory

Chapter 2: Literature Review-Strategic Management Theory reviews, at macro level, the development of contemporary Western strategic management theory over the last
40 years as reflected through the review of literature. This review will also provide the initial basis upon which to examine the practices of experienced Australian businesspersons.

**Part Two – Practices of Experienced Australian Businesspersons**

*Chapter 3: Research Design & Methodology* explains the research design and method used in the determination of the strategic management practices of experienced Australian businesspersons. The design is based upon a traditional scientific model with the development and testing of hypotheses. Both qualitative and quantitative research methods are used. Qualitative research in the form of in-depth interviews is used in a generative manner to firm up the key criteria established in the review of literature. Quantitative research in the form of a mail questionnaire survey is used to provide nominal and ordinal data for analysis. It should be emphasised that the aim of this part of the research is to provide a *succinct description* of the strategic management practices and as such the statistical analysis undertaken is appropriate to this aim.

*Chapter 4: Qualitative Research-Interviews* provides a review of the qualitative stage of the research being scheduled unstructured interviews with prominent Australian businesspersons. The key criteria identified in chapter 2 are also examined in light of the results of the interviews to form a basis for the design of the survey questionnaire forms.

*Chapter 5: Quantitative Research-Surveys* reviews the results of the quantitative stage of the research being the statistical analysis of the data collected through the survey forms and the testing of hypotheses. Further, a demographic profile of the respondents and the effect of stratification of results across demographic lines is also considered.

*Chapter 6: Review & Discussion of Findings* reviews the responses to each of the fifty survey questions and considers these responses in light of contemporary Western strategic management theory. The discussion of Western strategic management theory is greatly expanded in this chapter to provide a forum to consider the responses of experienced Australian businesspersons and such theory. Chapter 6 is broken into five parts, each part representing one of the key themes considered in the thesis.
Chapter 7: Strategic Management Practices-Conclusions draws to a conclusion the review of strategic management literature and the examination of the practices of experienced Australian businesspersons. The chapter reviews the results of the hypotheses testing and provides a descriptive analysis of the practices while highlighting the strengths and weaknesses of those practices. The chapter concludes by restating the key criteria that will be used to examine the classical Chinese military works on strategy.

Part Three – Classical Chinese Military Strategy

Chapter 8: Literature Review-Classical Chinese Military Strategy sets the starting point for the focused review of the classical works by providing a general introduction to these works. It then proceeds to consider such matters as authorship of these works, their relevance to Western management theory and the cultural differences that influence our ability to interpret these works. The chapter then reviews each work in turn by providing an introduction to that work and then extracting those passages that appear relevant to the aim of the research based upon the key criteria established. The chapter concludes by drawing together those relevant common themes that appeared throughout the works. The review of literature in chapters 2 and 8 are conducted in a manner so as to provide symmetry to triangulation.

Part Four – Triangulation & Concepts Arising

Chapter 9: Triangulation-Findings draws together the conclusion from each of the proceeding three parts and reviews the strength of the relationship with the triangulation drawn.

Chapter 10: Concepts Arising uses the foundation established in the triangulation and projects this forward to identify and describe those concepts that have been unearthed during the research process. In essence a model of strategic management thought is created.

Reiterating, the aim of this research is to examine the classical Chinese military works on strategy and to consider whether they are able to proffer any concepts that may be
of benefit to contemporary Western strategic management theory and in turn, the business practices of experienced Australian businesspersons.
PART ONE

Chapter 2: Literature Review – Contemporary Western Strategic Management Theory

2.1 Introduction

The aim of this chapter is to review the development of contemporary Western strategic management theory with the goal of providing a succinct summary of the key concepts, principles and paradigms present in this field of study. This succinct summary will be used to form the first vertex of the triangulation noted in chapter 1 and also to create a framework under which the strategic management practices of experienced Australian businesspersons (second vertex) may be examined.

This aim is achieved by conducting a critical review of literature in the field of strategic management theory and distilling key concepts, principles, paradigms and drawing together common themes that will form the key criteria upon which to examine the practices.

This chapter commences with a brief introduction of the task at hand and describes the manner in which the literature for review was identified and selected. A listing of such works identified is then provided. The chapter proceeds by drawing a definition of strategic management that not only serves to define the subject field but also reflects the diversity within strategic management theory. Further, it draws together the threads of the common themes that are present. This definition finally provides a basis from which to consider each of the works that follows.

The chapter continues by reviewing each of the works selected for examination and identifying the key concepts, principles and paradigms contained in each.
The chapter concludes with a drawing of common themes and the listing of the key criteria that will form the framework for examining the practices of experienced Australian businesspersons.

2.2 Principal Works Identified

The formal study and teaching of contemporary Western strategic management theory has continued for only some 40 years, however, during this period of time there has been a significant volume of material published. The aim of this literature review is achieved by filtering this material and identifying those works that may be considered as being significant in the development of the body of theory to date.

Another manner in which to describe this review of literature, is to say that it is undertaken at a macro level; the goal being to identify:

- only key concepts, principles and paradigms,
- those that have spurned the many other concepts that have flourished throughout strategic management theory over the last forty years.

The task of review was approached in a lineal fashion commencing with what is generally recognised as the birth of strategic management theory, the published works of Igor Ansoff (Ansoff 1965) and Learned and others (Learned, Christensen et al. 1965). The review then progressed in chronological order identifying critical advancements and changes of direction. This pragmatic lineal approached permitted not only a natural progression of the review but also permitted the growth and development of strategic management theory to be considered in a historical context. Such context possibly being useful in the examination of practices by experienced Australian businesspersons in reflecting upon where they are positioned on the historical timeline.

Mintzberg in his critiques of strategic management theory tends to categorise various theories under generalised headings thereby identifying what he terms as the schools
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of strategic management theory. He has identified ten various schools: design, planning, positioning, entrepreneurial, cognitive, learning, power, cultural, environmental and configuration (Mintzberg and Lampel 1999). Such a method of classification may be of use in some instances; however, it is of little use in achieving the aim of this review of literature and has not been adopted. What is of interest in Mintzberg’s work in identifying the various schools is his conclusion that strategy as it has evolved, has not done so in a Darwinian sense but rather a tree that has grown and developed many branches (ibid., p.29). Theories developed in the 1960s have not been replaced but still exist and stand beside theories developed in later decades. The review of strategic management theory must therefore identify those key theories developed over the life of strategic management theory.

Accordingly, the review of literature is in chronological sequence and set at a macro-level.

In the review of literature, the following key articles were noted and used to construct the macro summary of theory and form the framework for examining the strategic management practices of experienced Australian businesspersons. These articles/authors (Year Published: Author, ‘article name’) are considered to represent the core concepts of contemporary Western strategic management theory:

- **1965**: Igor Ansoff
  ‘Corporate Strategy - Analytic Approach to Business Policy for Growth and Expansion’

- **1969**: Kenneth Andrews
  ‘The Concept of Corporate Strategy’

- **1973**: Boston Consulting Group
  ‘Growth Share Matrix’

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1 Kenneth Andrew’s thesis in strategic management was first included in the text ‘Business Policy: Text and Cases’ published in 1965 (Learned, Christensen et al. 1965)
1975: Vancil & Lorange  
'Three Levels of Planning'

1977: James Quinn  
'Strategic Goals: Process and Politics'

1979: James Quinn  
'Strategic Change: Logical Incrementalism'

1979: Michael Porter  
'How Competitive Forces Shape Strategy'

1980: James Quinn  
'Managing Strategic Change'

1980: Waterman, Peters & Phillips  
'The 7-S Framework'

1982: Peters & Waterman  
'In Search of Excellence'

1985: Michael Porter  
'Competitive Advantage - Creating and Sustaining Superior Performance'

1985: Henry Mintzberg  
'Of Strategies, Deliberate and Emergent'

1987: Henry Mintzberg  
'Crafting Strategies'

1987: Henry Mintzberg  
'Five Ps for Strategy'

1989: Hamel & Prahalad  
'Strategic Intent'

1990: Hamel & Prahalad  
'The Core Competence of the Corporation'

1991: R.M. Grant  
'The Resourced-Based Theory of Competitive Advantage'

1993: Hamel & Prahalad  
'Strategy as Stretch & Leverage'
It is not believed that any of the work, subsequent to 1993, in Western strategic management theory has been of an equivalent significance as those works listed above. Accordingly, none of these subsequent works has been included in the review of literature. However, Chapter 6: Review & Discussion of Findings does contain a far wider review and discussion of theory. Chapter 6 reflects the diversity and richness of theory and enables a consideration of the many other valuable contributions to the field of Western strategic management theory.

2.3 Definition of Strategic Management

Before commencing the review of the various strategic management articles, it is necessary that the term strategic management be defined. The process of drawing such a definition will:

- define the parameters of the study of the field of strategic management theory,
- provide a means to reflect the diversity within strategic management theory, and
- begin to draw the threads of the common themes, that are present within the diverse body of strategic management theory, together.

Unfortunately, there is remarkably little consistency in the operationalisation of the discipline of strategic management in business (Boyd and Reuning-Elliott 1998, p.181). As such, the process of considering the definition of strategic management, will also be used to generate a definition that may provide a basis from which to consider each of the articles that follows.

The process of considering the definition of strategic management will proceed by considering the definition from four varying perspectives. These perspectives are strategic management in a:

- General context
- Military context
- Game context
- Business context
2.3.1 Strategy in a General Context

The Oxford dictionary (Press 1993, p.3085) defines strategy as:

'office or command of a general, generalship. The art of a commander-in-chief; the planning and direction of the larger military movements and overall operations of a campaign. Tactics – an instance or variety of this. The art or skill of careful planning towards an advantage or a desired end; an instance of this, a stratagem; In game theory, business theory, etc., a plan for successful action based upon the rationality and interdependence of the moves of opposing or competing participants'.

It defines Strategic as:

'Of or pertaining to strategy: useful or important with regard to strategy. Also, concerned with or involving careful planning towards an advantage;

Management is defined as:

'The action of managing: the manner of managing; the application of skill or care in the manipulation, use, treatment, or control things or persons, or in the conduct of an enterprise, operation, etc. the administration of (a group within) an organisation or commercial enterprise'.

The key words in these definitions are:

➢ Planning and directing
➢ Overall operation
➢ Achieve advantage, out-maneuver
➢ Control, Manage, Administer

Strategic management in a generally accepted context would therefore appear to be the process of managing, controlling, administering the task of planning and directing the overall operations of an enterprise so as to achieve some advantage or out-maneuver a competitor.
2.3.2 Strategy in a Military Context

In a military context:

'Strategy is the use of the engagement for the purpose of the war. The strategist must therefore define an aim for the entire operational side of the war that will be in accordance with its purpose. In other words, he will draft the plan of the war, and the aim will determine the series of actions intended to achieve it: he will, in fact, shape the individual campaigns and, within these, decide on the individual engagements'.

'Strategy theory, therefore, deals with planning; or rather, it attempts to shed light on the components of war and their interrelationships, stressing those few principles or rules that can be demonstrated' (Clausewitz 1993, p.207-208).

2.3.3 Strategy in Game Theory

In game theory, strategy is seen to be ‘a complete plan: a plan which specifies what choices (the player) will make in every possible situation’ ((von Neumann and Morgenstern, 1944, p.79) as cited in Mintzberg et. al., 1995, p.14).

2.3.4 Strategy in a Business Context

In a business context, the aim of strategy is clearly one of commercial success and profit. The term strategic management that we are seeking to define is generally used to describe the use of strategy in business.

Within the field of strategic management there are many definitions as authors seek to differentiate their work as unique. Further, some authors have tended to focus on defining a process of strategic management while others have tended to define the steps involved in arriving at a strategy, what they term as the content.

There also exists a lack of clarity at times in the use of the term strategy and that of tactics. Von Clausewitz in his thesis On War defines tactics as ‘the use of armed forces in the engagement’ while he defines strategy as ‘the use of engagements for the
object of the war’ (Clausewitz 1993, p.146). Strategy therefore encompasses the use of tactics and is of a higher order. However, as Rumelt noted ‘One man’s strategy maybe another’s tactics dependant upon your perspective’ ((Rumelt 1979)) as cited in (Mintzberg 1987a, p.14). The point being made by Rumelt that what actions are strategies and which are tactics is ‘in the eye of the beholder’.

Considering, chronologically, the development of the definition of strategic management during the its formative years:

➢ 1944: Von Neumann and Morgenstern are credited as being the first modern scholars to associate the concept of strategy to the business environment based upon their work on ‘game theory’. They defined business strategy as: ‘a series of actions by a firm that are selected according to the particular situation’ (Mintzberg, Quinn et al. 1995, p.2).

➢ 1954: Peter Drucker in his book titled ‘The Practice of Management’, saw strategy as: ‘a process where managers must analyse the present situation and change it if necessary’ (ibid., p.2).

➢ 1962: Alfred Chandler, in his work in which he analysed the activities of four major American corporations (Du Pont, Standard Oil of New Jersey, General Motors and Sears Roebuck), defined strategy: ‘as the determinant of the basic long-term goals of an enterprise and the adoption of sources of action and the allocation of resources necessary for carrying out these goals’ (Chandler 1962).

➢ 1965: Igor Ansoff offered an analytical yet action-orientated definition. He saw strategy as the: ‘“common thread” among a corporation’s activities, products and markets. Strategy was the rule for decision making that link a corporation’s key elements’ (Ansoff 1965).

➢ 1969: Kenneth Andrews defined strategy as: ‘the pattern of objectives, purposes, or goals and the major policies and plans for achieving these goals, stated in such
a way to define what business the company is in or is to be in and the kind of company it is or is to be’ (Andrews 1971, p.28). At the time of this definition, the business policy era at Harvard University was in full swing and it provided a basis for the business students throughout the Western world for the ensuing generations (Mintzberg, Quinn et al. 1995, p.2).

With hindsight it can be said that it was the definitions developed by Ansoff and Andrews and their respective approaches to strategic management, that have been dominant in the field of strategic management for the last 40 years.

A review of some of the more recent definitions:

‘The essence of formulating competitive strategy is relating a company to its environment’ (Porter 1980, p.3).

‘Strategy is a set of objectives, policies, and plans that taken together define the scope of the enterprise and its approach to survival and success’ (Rumelt 1980).

‘The set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company’s objectives’ (Pearce and Robinson 1988a).

‘Strategy is the pattern of organisational moves and managerial approaches used to achieve organisational objectives and to pursue the organisation’s mission’ (Thompson and Strickland 1990, p.8).

‘The process of identifying, choosing and implementing activities that will enhance the long-term performance of an organisation by setting direction and by creating ongoing compatibility between the internal skills and resources of the organisation, and the changing external environment within which it operates’ (Viljoen 1994).
2.3.5 Definition-Common Themes

In attempting to de-construct these definitions of strategy and to find common themes that may provide a basis for synthesising the various definitions, Arnoldo Hax in his 1990 article *Redefining the Concept of Strategy* (Hax 1990) identified six critical dimensions of strategy that should be present in any unified definition:

- Coherent, unifying and integrative pattern of decisions.
- A means of establishing an organisation’s long-term purposes and objectives.
- A definition of a firm’s competitive domain.
- A response to external opportunities and threats and to internal strengths and weaknesses so as to achieve competitive advantage.
- A logical system for differentiating managerial tasks at corporate, business, and functional levels.
- A definition of the economic and non-economic contribution the firm intends to make to its stakeholders.

Another perspective that may be used to consider the various definitions, is that of *critical flaws*. If strategy is not to be considered critically flawed then it must exhibit:

- **Consistency**: it must not present mutually inconsistent goals and policies.
- **Consonance**: it must adapt to the external environment and to the critical changes occurring within it.
- **Advantage**: it must provide for the creation and/or maintenance of a competitive advantage in the selected area of activity.
- **Feasibility**: it must neither overtax available resources nor create unsolvable sub-problems.

(Rumelt 1980)

Finally, considering some definitions that fall outside the scope of what has been considered so far:

Mintzberg believed that the traditional views of strategic management were too strongly focused on control and direction rather than what strategies are and where
they come from. Accordingly, Mintzberg proposed a definition of strategy as 'a pattern in a stream of actions' (Mintzberg and Waters 1985, p.257).

Mintzberg further expanded upon this definition by stating that strategy maybe represented in the form of a:

- **Plan**: most people would consider strategy is a plan of some sort.
- **Ploy**: strategy may merely be a maneuver intended to outwit a competitor.
- **Pattern**: a strategy can be seen as a pattern in a stream of actions.
- **Position**: a means of locating a company in the environment in which it competes, its niche.
- **Perspective**: a means of not only positioning a company but thereby defining the perspective it takes on its environment.

(Mintzberg 1987c)

Pearce and Robinson stated that 'strategy reflects a company's awareness of how, when, and where it should compete; against whom it should compete; and for what purposes it should compete' (Pearce and Robinson 1988a).

As can be discerned from the scope of definitions reviewed, strategy and in turn strategic management, can be defined in many different ways, however, there are common threads that flow through all these definitions. Hax and Rumelt have both captured the elements of what strategy should be and these can certainly be seen as common threads. Mintzberg has provided another perspective on the entire question of strategy and added to these threads. But drawing all of these elements together and seeking to reach the most basic foundation, Pearce and Robinson have possibly found the common linkage or what may be called the dominant thread –competitiveness.

Accordingly, for the purposes of this research, the essence of strategy in business is defined as **competitiveness**, with the goal of strategic management being **the creation, enhancement and maintenance of such competitiveness**.
2.4 Review & Extract of Key Works

2.4.1 Ansoff: Analytical Approach to Business Policy for Growth & Expansion

2.4.1.1 Introduction

In Ansoff’s search for an appropriate methodology in which companies may determine their corporate strategy, he turned to the decision models that had been developed in capital investment theory and portfolio selection. He sought a methodology that could be applied in a scientific manner, almost like a theorem, that when applied would consistently yield the correct answer. Such answer being the best strategy for the company to pursue. He developed an *Adaptive Search Method of Strategy Formulation*.

In developing his *adaptive search method* Ansoff saw corporate strategy as a *problem* to be solved; such problem being to configure and direct the resource conversion process in such a way as to optimise the attainment of objectives (Ansoff 1965, p.5). Ansoff believed that in finding a solution to this problem there were three classes of decisions that must be made (ibid., p.8):

- **Strategic**: in selecting product-market mix that would optimise a firm’s Return on Investment (‘ROI’) potential.
- **Administrative**: to structure a firm’s resources for optimum performance, and
- **Operating**: to optimise the realisation of ROI potential

It is with the first of these decision streams that strategic management theory is concerned.

2.4.1.2 Review

The *adaptive search method* that Ansoff developed in the strategic decision stream had the following characteristics:

- a *cascade* procedure that successively narrowed and refined the decision rules,
feedback loops between the stages in the cascade procedure levels,

a gap-reduction process within each stage that sought to bring the process closer to the attainment of the objectives set, and

the adoption of both objectives and starting point evaluation in the model.

( ibid., p.28).

The following elements were central to Ansoff's approach to strategy formulation:

- Ansoff created his model on the premise that the process of strategy formulation was essentially the task of selecting a combination of products and markets. Such combination being arrived at by the addition of new product-markets, divestment of old ones and the expansion of the present position. All decisions of product mix and market changes were made principally made by their effect on ROI being the final decision criteria used in the Ansoff model ( ibid., p.12).

- The issue of diversification was believed to be a critical decision by Ansoff in his model. He believed that a company firm should only diversify, that is acquire another business, when internal expansion cannot achieve their objectives; again these objectives being expressed as a required ROI ( ibid., p.140).

- Achieving synergies was also a key criterion that Ansoff believed important in the adaptive search model of strategy formulation. The achievement of synergy in facilities and equipment, personnel skills, organisational capabilities and management capabilities were a goal to be sought in any expansion under consideration ( ibid., p.79-90).

Ansoff saw that the need for a model to determine corporate strategy lay in:

- the guidance it provided to companies and allowance it permitted them for growth by the use of the product-market scope, such scope providing a common thread by reflecting direction ( ibid., p.108-110).
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➢ the fact that a company’s strategy and objectives described the concept of their business, that is, the amount of growth, the area of growth, the direction of growth, leading strengths and profitability target (ibid., p.112).

Accordingly within Ansoff’s adaptive search model, a company’s particular choice of strategy is built upon a decision stream involving the following elements:

➢ the setting of objectives
➢ a strategy being product-market scope and growth vector
➢ the present position
➢ capabilities
➢ potential
➢ gaining of synergies

(ibid., p.206)

2.4.2 Andrews: The Concept of Corporate Strategy

2.4.2.1 Introduction

Kenneth Andrews in his work in Corporate Strategy saw that the future success of a business lay principally in the hands of the general manager of that business. This was an issue of great concern to Andrews who believed the typical general manager was a person whom had little formal training and whom relied heavily upon the skills of their functional managers, leading to critical issues of communication, direction and control (Andrews 1971, p.2).

Andrews also believed that the typical general manager would be a person whom would most likely comply with industry paradigms and would not be innovative or aggressive. This would lead to the fortunes of their business lying with the fortunes of their industry; whatever happened in their industry would also befall the company (ibid., p.12).
Accordingly at this point Andrews had identified two critical areas that needed attention:

➢ simplifying the issues of communication, direction and control and
➢ permitting a more critical appraisal of the task of a general manager

thereby hopefully overcoming a general apathy that was present with general managers. He proposed a theory that commenced with the simple proposition that every business organisation, every sub-unit of organisation, and even every individual should have a clearly defined set of purposes or goals which keep it moving in a deliberate chosen direction and prevent it drifting in undesired direction.

Through this proposition, Andrews saw the function of the general manager as becoming one of supervision of the continuous process of determining the nature of the enterprise and setting, revising and attempting to achieve its goals (ibid., p.23).

In fulfilling this function a program of consciously decided and articulated decisions were needed that an entire organisation could follow rather than the instinctive practice of the experienced ‘natural business leader’ that was evident in many companies (ibid., p.24).

Accordingly, based upon his view of the general manager, their typical capabilities and the shortfalls he saw in the existing management practices, Andrews developed his concept of corporate strategy. He defined corporate strategy as being: ‘the pattern of major objectives, purposes, or goals and essential policies and plans for achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be’ (ibid., p.28).

2.4.2.2 Review

Under the model that Andrews created corporate strategy had two separate and distinct aspects, the process of formulation and that of implementation.
Formulation or deciding which or what strategy should be pursued was a rational lineal process of:

- identifying opportunities and threats with attributed risk present within the company's environment
- appraising the company's strengths and weaknesses and its capacity to take advantage of perceived opportunities
- determining personal values and aspirations of senior management and their influence on the strategy process
- acknowledging and factoring obligations to stockholders and society generally and thereby arriving at the strategy to be pursued by the company (ibid., p.37).

Diagrammatically, Andrew's model of corporate strategy is represented as follows:

Figure 2-1 – Concept of Corporate Strategy (ibid., p.41).

Once the formulation process had been completed Andrews believed that general managers should reflect upon the strategy created to gain a further insight into its likely success. To this end while he did not believe that there existed any infallible
indicators that a general manager could apply, there certainly did exist positive traits that should be sought in any strategy. These positive indicators were:

➢ is the strategy clearly expressed and identifiable?
➢ are the opportunities identified within the company's environment (domestic and international) fully exploited by the strategy?
➢ is there consistency between corporate resources and competencies both presently and in the future?
➢ is there internal consistency within the strategy itself and all of its various components?
➢ is the risk level inherent in the strategy acceptable to both the company and the persons involved in its formulation and implementation?
➢ is the strategy consistent with the personal values and aspirations of senior management and supported by them?
➢ is the strategy consistent with community responsibilities of the company?
➢ will the strategy clearly stimulate the company and all its participants?
➢ are early market indicators relevant to the strategy positive?

If these traits were not present within a strategy the general manager would then need to reconsider its appropriateness and likely success (ibid., p.48-52).

Given that strategies were formulated in accordance with his model and the positive indicator traits present, Andrews then went onto emphasise that success was still heavily dependent upon the general manager's capabilities and their willingness to maintain a proactive stance. Specifically to:

➢ always being concerned with the future and its implications for the company (ibid., p.54).

➢ always critically questioning the results of any strategy and understanding why such results (negative and positive) have occurred (ibid., p.54).

➢ not being a sheep and following the industry flock by accepting industry norms and competitors' strategy (ibid., p.55).
not being misdirected by personal values, bias or aspirations (ibid, p.56).

being a nonconformist in questioning accepted modes of thought and conventional wisdom within the company and the industry (ibid., p.56).

not being tied to the cannon of management that surplus funds must be reinvested in expansion and growth (ibid., p.57).

Given Andrews focus upon the critical importance of the general manager to the fortunes of their company, he further expanded upon the manner in which they should develop their company’s strategies. He made the following critical observations in this endeavor:

Strategy is the match between qualification and opportunity that relates the a company to its environment and requires continuous surveillance of such environment (ibid., p.59 & p.77), such surveillance including:

the economic and technical characteristics essential for successful participation within the industry.

any apparent trends that may suggest a future change in these essential characteristics.

what is the nature of competition within the industry and across industries generally.

what are the requirements for success within the industry.

given all of the above then what strategies are available and most appropriate to the company (ibid., p.79,80).

In a company whose activities are decentralised, planning should not be centralised. The greatest knowledge of opportunities lies at divisional level being closer to the market (ibid., p.85).

The goal of product leadership is not possible for a majority of companies. Therefore, the focus must lie in marketing, distribution, quality-price combinations and creative merchandising in which new opportunities will lie and through which truly distinctive competencies may be found or created (ibid., p.99).
For each company its success will be determined by the unique combination of its distinctive competence, organisational resources and organisational values that it is able to create (ibid., p.101).

The formulation of strategy should not be considered completed when implementation begins (ibid., p.179).

With respect to the implementation of strategy, Andrews believed that a chosen corporate strategy must override all else within a company including questions of organisational structure and processes. Any decisions of organisational structure and behaviour should only be determined in light of their contribution to and affect on the chosen strategy (ibid., p.179-181).

Further, any factors that may influence behaviour within an organisation must also be drawn into this web and considered in light of their possible effect on strategy. Examples of such factors are any standards, measures, incentives, rewards, penalties or controls that may exist within the company (ibid., p.197). Such factors influence behavior and therefore affect strategy, for example, Andrews believed that the measurement of performance against a standard such as a budget more often than not, detracted from the achievement of a given strategy rather than enhancing it (ibid., p.199,200).

2.4.3 Boston Consulting Group: Growth Share Matrix

2.4.3.1 Introduction

The Boston Consulting Group (‘BCG’) is credited with adapting the concept of portfolio management from the share market (managing share portfolios) to the corporate world (management of diversified businesses). Within the portfolio approach the corporation is viewed as an investor with a financial holding in a number of individual businesses. The question to be resolved being which businesses to invest
in and which to divest. The linkage between the centre (head office) and its various business units was cashflow; who had surplus cash and who was in a deficit position.

The portfolio concept required that the head office balance the management the portfolio of businesses. Such balancing determined by the future prospects of each business and controlling the cashflow of each business with surplus funds being redirected to those with deficits and into new investments. The language that developed under this portfolio concept spoke of the strategic mission of each business unit and was financial in orientation. Portfolio managers spoke of which businesses to grow, hold, milk, or divest, dependent upon how the cashflow and the future prospects of such business was viewed ((Haseslagh 1982) as cited in (De Wit and Meyer 1994, p.264)).

2.4.3.2 Review

➢ The BCG portfolio concept was typically represented in a matrix form. With the original BCG matrix consisting of four cells. The various businesses of a corporation were plotted on the matrix according to:
  ➢ the growth rates of the particular industry in which they competed,
  ➢ their relative competitive position (determined by market share), and
  ➢ with the size of the circle representing and plotting a particular business proportional to the actual size of that business.

((Hofer and Schendel 1978) as cited in (De Wit and Meyer 1994, p.182-185)).

Continued over page
Since the original BCG Matrix was devised, there have been various criticisms of the model that in turn have lead to the development of more complex and advanced models. Some of the original criticisms raised were that:

- the original four cell matrix was too simplistic and did not adequately reflect the true and proper position of a business as against other businesses in the group.
- growth rate was an inadequate descriptor of overall industry attractiveness; for example a high growth rate will not necessary lead to high profits.
- market share was also an inadequate descriptor of a business’s overall competitive position as it is heavily dependent upon the definition of the market in which the business is seen to compete.
- the relationship between market share and profit is not consistent across industries and therefore does not serve as a valid basis of comparison.
- the four-cell matrix does not really assist in comparing relative investment opportunities across the business units in a portfolio due to its simplistic basis. For
example, why build one question mark into a star and not another? How does the matrix assist in this decision?

➢ considerations such as technological, seasonality, and other competitive considerations were not factored into industry attractiveness.

➢ the strategic missions presented by the matrix were far too simplistic and did not reflect the diversity of options available in managing a diversified portfolio of businesses.

(ibid., p.182-185) & (Pearce and Robinson 1988c).

In response to these criticisms and continuing development of the portfolio concept more complex matrixes were developed that attempted to overcome the limitations of the original four-cell model. For example a nine-cell ‘business screen’ was developed by General Electric for use in the management of their portfolio of businesses ((Hofer and Schendel 1978) as cited in (De Wit and Meyer 1994, p.182-185)).

The benefits or positive aspects of the portfolio approach lie in the fact that its proponents believe that, the heart of corporate level strategy lies in the formation and implementation of plans to improve the mix and strength of a company’s portfolio. Accordingly, a model was designed to manage this task. The following steps describe the strategy formation process that lies behind the portfolio matrix approach:

➢ Identify the existing corporate strategy.

➢ Construct one or more matrixes to analyse the company’s portfolio of businesses (four-cell matrix or industry attractiveness/business strength matrix or life cycle matrix).

➢ Compare the long-term attractiveness of each the industries into which the company has diversified.

➢ Compare the competitive strength of each business unit relative to their respective industries.

➢ Rate each different business unit on the basis of their historical performance and their prospects for the future.

➢ Assess the compatibility of each business unit with the goals of the corporate strategy.
Determine the value of any ‘strategic fit relationships’ that may exist among the various business units.

Decide the general strategic direction and posture for each business unit. For example: aggressive expansion, fortify and defend, overhaul and reposition, harvest and divest.

Rank each business unit in terms of priority for new capital investment.

Craft new strategic moves to improve overall corporate performance of the portfolio.

(Thompson and Strickland 1990, p.190-214).

2.4.4 Vancil & Lorange: Three Levels of Planning

2.4.4.1 Introduction

Vancil & Lorange believed that the formalisation of the planning process was essential if managers were ever going to be able to free their time and minds to consistently think strategically. They considered that although the best strategic thinking was creative thinking, and therefore cannot practically be scheduled, that formalisation of the strategy process would still yield the best results.

Accordingly they set about formalising the planning process.

2.4.4.2 Review

Vancil & Lorange in formalising the strategy process dissected strategy making into three distinct levels:

Corporate Planning - Headquarters: which involved the process of deciding what are the company’s objectives and goals at the corporate level. This task included determining what businesses to engage in and acquiring and allocating the necessary resources to achieve the set goals and objectives.
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- **Business Planning - Divisional**: formulating the divisional objectives within its defined area of activity consistent with the set corporate level strategy. The responsibility at divisional level is to satisfy consumer needs and to adopt policies that will lead to attaining the objectives set.

- **Functional Planning - Departmental**: formulating a set of feasible programs to implement divisional strategy by the setting of objectives and the related steps to achieve these.

In formulating strategy at each of the three levels, Vancil and Lorange envisaged a process occurring over three cycles:

- **First Cycle**: the development of tentative agreements between corporate and divisional level managers with regard to the overall strategy. This cycle would include establishing corporate objectives, drawing up divisional charters, and setting corporate goals.

- **Second Cycle**: the development of action programmes by both divisional and functional level managers so as to achieve the set corporate objectives and goals.

- **Third Cycle**: the completion of plans by corporate level managers, then divisional level managers, and then functional level managers to be followed by the allocation of resources accordingly.

Although Vancil and Lorange recognised that formalisation of the strategic planning process was not a guarantee of a creative strategy and accordingly improved corporate performance, they believed that it would increase the odds sufficiently to yield *a handsome payoff* (Vancil and Lorange 1975).

2.4.5 Quinn: Process-Logical Incrementalism

2.4.5.1 Introduction

Brian Quinn presented a trilogy of thought in three papers published in 1977, 1979 and 1980 that represented the first real questioning of the correctness and
effectiveness of the then existing paradigms in strategic management theory. The first of these papers, *Strategic Goals: Process & Politics* (Quinn 1977), outlined the results of his research in strategy making and the remaining two papers expanded upon aspects thereof, *Strategic Change: Logical Incrementalism* (Quinn 1989) and *Managing Strategic Change* (Quinn 1980). Quinn's research was based upon the results of in-depth interviews that he held with senior company executives in examining how they arrived at certain strategies (Quinn 1989, p.55).

Quinn uncovered during the course of his research that there were a series of attributes that were given almost biblical status in the belief that such attributes reflected the hallmark of an effective manager. Such attributes were the ability to:

- *define* specific goals and objectives for their companies.
- *state* these goals clearly and explicitly and define them in quantitative terms.
- *assign* these goals to individuals and organisational units.
- *direct* and control the company toward established measurable goals.

However, Quinn believed that these attributes did not reflect the process by which *purposeful political astute and effective* strategies (what he considered be the true hallmark of an effective manager) were formed (Quinn 1977, p.21).

### 2.4.5.2 Review

In supporting his assertion on the process of forming effective strategies, Quinn observed in his research that:

- Such elements that may reflect the presence of rational-analytical planning are rarely apparent when a company undertakes a significant change in strategy. A rational-analytical approach tends to focus unduly on quantitative factors and neglects key qualitative, organisational and power-behavioral factors. Further that a complete strategy is rarely documented in writing. Rather, a process that is *fragmented, evolutionary and intuitive* appears to have been present in the formation of new strategy (Quinn 1989, p.45).
In companies where a carefully designed strategic planning system was present, the strategies that were emerging in these companies seemed to arise outside these systems. These systems were in essence only a further extension of the command and control function and displayed features best described as paperwork monstrosities and black holes for executive's times (ibid., p.55).

Quinn in concluding his research formulated that the process of strategic management that was present in the companies he studied was best described as one of setting goals through a logical incremental process.

However, with regard to the setting of goals the following characteristics were noted:

- **Goals should not be announced in advance** (that is during the strategy formation process) as such advance notice leads to:
  - *An undesired centralisation.* Goals announced in advance telegraph a message to members of the company that certain issues are fixed and closed and that their thoughts to the contrary may not be welcomed. Given that some of the most detailed knowledge within a company about its products, technologies and customer needs resides in the lower levels of the company, advance/premature announcements may curtail the genuine participation and commitment to goal formulation by all members of the company. Such participation is considered essential.
  - *A focal point for opposition.* An otherwise fragmented opposition may be drawn together by explicitly stated goals that can be used to serve as a common focal point.
  - *Rigidity.* A public announcement, especially if the form of a goal, is generally very difficult to change without a loss of face and confidence. The unfortunate outcome of this may be outmoded goals being doggedly prolonged. It is preferable to keep options open as long as possible and then only define broad directions which will provide for flexibility to meet changing needs.
  - *A reduction in security.* Providing potential competitors with specific information on future actions may well compromise security.
Goals should be kept general so as to achieve:

- Cohesion. Generality enhances cohesion as general non-specific goals often readily gain support whereas detailed goals can lead to communication problems, contention and loss of support on specific details.

- Identity and elan.

Only make goals specific when:

- Precipitating action is required. Such as the need to create a challenge, precipitate discussion or crystallise direction.

- Signaling is required. Such as where major transitions are to be signaled.

- Only a few specific new goals are to be pushed.

(Quinn 1977, p.22-26).

The process that is envisaged under the characteristics noted above will ensure that strategic goals are set at the right time, with maximum input from those persons with the most specific knowledge and with a genuine commitment from those who must achieve the results. Further, the implication of this process is that effective strategic goals should achieve more than merely set direction and measure performance. They must establish and maintain freedom with control, high morale and timely problem sensing in an organisation (ibid., p.29-31).

Accordingly, managers create effective strategic goals through a continuous, evolving, incremental, and possibly highly political process that has no precise beginning or end (ibid., p.32). This process may well start with only a vague sensing of needs that incrementally builds organisational awareness, support and final commitment to new goals. It requires a subtle balance of vision, entrepreneurship, and political sensibility. It is a consciously managed process of broad goal setting and logical incrementalism (ibid., p36).

The process of logical incrementalism that Quinn believed delivered effective strategies can be dissected into three principal progressive steps:

- Creating Awareness and Commitment – Incrementally. Major strategic issues usually emerge in a company firstly in vague/undefined terms. There may exist
merely a sign of something to come which management must recognise and bring the company’s focus upon. This process of emergence requires that a company build within itself the capabilities reflected as follows:

- Enhance a manager’s need sensitivity by ensuring their access to first hand information.
- Once change is noted, managers must quickly amplify their understanding and awareness of the issues.
- As the manager’s understanding and awareness grows, a change of symbols is used to signal to the company’s members that certain types of changes are coming.
- Management must legitimise the new viewpoints that these forthcoming changes represent.
- As management’s awareness and understanding of the emerging strategy grows, the change should be viewed as tactical shifts & partial solutions.
- These emerging strategies must be carefully managed and protected and it is often essential that management provide expanded political support and understanding.
- Overcoming opposition by finding ‘zones of indifference’ and ‘no lose’ situations will become necessary as the new strategies that are emerging often challenge old paradigms and the people who support them.
- Structuring flexibility and building the capacity to incrementally deploy resources becomes important as major changes in strategy often carry with them many uncertainties.
- Systematic waiting & trial concepts are important elements in introducing the change underpinning the new strategic direction as often a specific strategy must await the opening of an uncontrolled opportunity (Quinn 1980, p.4-9).

- Solidifying Progress – Incrementally. As strategies become more emergent, managers can more clearly envisage the requisite course of change and can then progressively build the momentum and direction behind this change. This task may be achieved by:
  - Creating pockets of commitment that underpin the new direction.
➢ *Focusing the company's energies* on relevant opportunities as they present themselves without the need to prematurely set new goals in concrete.

➢ *Managing coalitions* to ensure broad-based support for the changes and emerging strategies.

➢ *Formalising commitment by empowering champions.* By ensuring someone or some group within the company adopt the next step in change process as their responsibility so as to ensure it happens.

➢ Often strategic change has no start or end, almost as if it is alive and continually growing. To permit such change there must be a continual questioning and development of strategy and therefore the manager must plan to continue these dynamics by *eroding consensus* (Quinn 1980, p.9-13).

➢ *Integration of Processes & of Interests.* Effective strategies do not form from a lineal process but a process more aptly described as being *like fermentation in biochemistry, rather than an industrial assembly line* ((Pfiffner 1960) as cited in (Quinn 1980, p.13)). The management practices represented by this strategy process may be described as an adaptation to the practical psychological and informational problems of getting a constantly changing group of people with diverse talents and interests to move effectively in a continually dynamic environment (ibid., p.13). Accordingly, strategic incrementalism lies in the desire of management to draw upon the abilities and drive of the whole company in creating not only the strategies, but also cohesion and identity with the strategy (ibid., p.13).

2.4.6 Porter

2.4.6.1 Introduction

Michael Porter's principal contribution to the field of strategic management theory is most readily represented by three models of competitive behavior that he provided *The Five Forces Model, Three Generic Strategies Model, and The Value Chain.* Each
of these models is built upon his underlying paradigm of industry structure and competitive forces.

Porter’s work has had and continues to have a significant impact on the direction of thought in strategic management theory (Rumelt, Schendel et al. 1991, p.8). His definition of strategy stands his work apart from many authors in the field, the essence of strategy formulation is coping with competition (Porter 1979, p.137)

Accordingly, Porter’s view of strategy formulation can be seen to be the task of relating a company to its environment. Where the environment is very broad and includes not only the key aspects of the industry in which a company may compete but also such factors as the social forces and the economic forces that will also be present (Porter 1980, p.3).

2.4.6.2 Review

2.4.6.2.1 Five Forces Model

Underlying the five forces model is Porter’s thesis that industry structure has a strong influence on the degree of competition within an industry and also determines the range of potential strategies available to a company. Further, that the intensity of competition within an industry is neither a coincidence or bad luck but rather a result of the underlying economic structure within that industry and goes well beyond the mere behaviour of existing competitors (ibid., p.3).

The strategic task accordingly becomes one of positioning. A Company must find that position within their industry where they can best defend their market position while also being able to influence industry forces in their favor (Porter 1979, p.137).

Porter believed that the degree and nature of industry competition within any industry was dependent upon five forces of influence:

➢ the threat of new entrants
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➢ the bargaining power of customers
➢ the bargaining power of suppliers
➢ the threat of substitute products or services
➢ the jockeying among current contestants

( Ibid., p.141).

A given company’s profitability was determined principally by:

➢ the collective strength of these forces,
➢ the company’s position within an industry and
➢ its ability to influence the five forces in their favor.

Accordingly, if management could understand the competitive pressures within an industry as highlighted by the five force model, then they would be able to:

➢ identify the critical strengths and weaknesses of their company and their competitors,
➢ clarify areas where strategic change may occur, and
➢ identify trends and animate positioning

( Ibid., p.138).

Continued over page
Figure 2-3 – Five Forces Model (Porter 1985, p.5)

Drawing upon the five forces model, once management (or a company’s strategist as Porter would see it) had identified and accessed the competitive forces within their industry, their underlying causes, and determined their own company’s strengths and weaknesses, they would be capable of drawing a strategic plan that would include:

➢ *Positioning the company* through the building of defences against competitive forces and/or finding positions within an industry where those forces are weakest (Porter 1979, p.143).

➢ *Influencing the balance of forces* within the industry by taking an offensive posture and seeking to alter the causes of competition in their favor. For example, by introducing innovations (ibid., p.144).
Exploiting industry change through understanding industry trends and thereby projecting the future shape of competitive forces, a company can position itself to take advantage of these changes (ibid., p.144).

2.4.6.2.2 Three Generic Strategies

If a company is to be successful it must not only deal with the competitive forces in its industry but it must also be able to outperform its competitors. In outperforming its competitors there are three generic strategies that they may adopt, they are:

- **Overall cost leadership** that may be achieved through a set of functional policies directed at cost leadership in the industry.
- **Differentiation** that requires creating something that is perceived as being unique industry-wide, whether it be a service or product.
- **Focus** whether that is focusing on a particular market, product, geographical region or customer group.

(Porter 1980, p.35).

Porter believed that although it was possible to pursue multiple strategies that such action would rarely be successful and that a single generic strategy should only be pursued. He termed such multiple strategies approach as being stuck in the middle and believed it would almost guarantee lower profits (ibid., p.35, p.41).
Figure 2-4 – Three Generic Strategies (Porter 1985, p.12).

Porter also recognised that although pursuing one of his generic strategies was necessary to cope with industry forces, that there were also risks inherent with each of the generic strategies. These inherent risks could be categorised as firstly, failing to attain and/or sustain the chosen strategy, and secondly, where the benefit of the chosen strategy has been eroded by industry evolution (Porter 1980, p.44).

These risks can be further expanded as follows:

➤ Economies of scale and cost volume savings are not achievable without considerable continuous effort by a company. If a company chooses cost leadership as it strategy, then to maintain this position of cost leadership it must relentlessly reinvest in modern equipment, scrap obsolete assets and processes and be alert to technological improvements (ibid., p.45).

➤ Strategies based upon differentiation advantages can be diminished or lost through:
  ➤ the benefit of the differentiation being outweighed through pricing differences,
  ➤ buyer’s no longer recognise the differentiation for whatever reason, and
imitation by competitors reducing the differentiation barrier
(ibid., p.46).

Focus strategies can be reduced or eliminated by:
- the company no longer gaining the cost advantages that generally arise with
  serving a focused group,
- the focus group no longer have specialised needs, and
- focus groups within your focus group being identified and targeted by
  competitors undermining your strategy.
(ibid., p.46).

Porter also considered that management needed to pursue the following aspects to
underpin their competitive strategies:

- **Perceptive competitor analysis** is a central aspect of strategy formulation. Such
  analysis requires a determination of a competitor’s current strategy, their future
  goals, and their assumptions about themselves and the industry including
  capabilities (ibid, p.47-49).

- **Recognising and accurately reading market signals** is of major importance in
  developing competitive strategies. It naturally also forms an essential element of
  competitor analysis. Market signals include any action of a competitor that may
  provide a direct or indirect indication of its intentions, motives, goals, or internal
  situation (ibid., p.75-87).

- **Strategic postures** may be used to explain why some firms are persistently more
  profitable than others. Strategic posture is the term used to describe a range of
  techniques a company uses to position itself in an industry. Examples of these
  techniques includes specialisation, brand identification, channel selection, cost
  position, and technological leadership. All companies within an industry may be
  mapped into strategic groups through a structural analysis of the industry
  determining each companies posture (ibid., p.126-155).

- **Industry evolution** is of critical importance in the formulation of strategy by a
  company and must be closely monitored continuously (ibid., p.156-188).
2.4.6.2.3 Value Chain

In this third model developed by Porter he was concerned by a trend he noted where companies were not thinking competitively and although they were attempting to position themselves in accord with the five forces model and generic strategies, they were not maintaining their competitive posture. In essence they didn’t understand where their competitive advantages or those of their competitors laid. Accordingly, he developed the value chain model and reinforced the need to build sustainable competitive advantage.

A Company must develop strategies that create sustainable competitive advantage. Without sustainable advantages they will be unable to maintain their competitive posture and their profitability. A sustainable advantage is one that resists erosion through either a competitor’s behaviour or industry evolution. Such competitive advantage fundamentally grows out of the value a company is able to create for its customers (Porter 1985, p. xvi).

While the five forces model enables a company to see through the complexity of industry intra and inter-action and identify those factors which are critical to competition in an industry, it does not replace, diminish or eliminate the need for creativity in competition. Creativity arises from looking to the value you can create for your customers (ibid., p.7).

Porter also noted that market share while relevant to a company’s competitive position, is not important to a company’s competitiveness. He saw that industry leadership, which reflects a dominant market position, is the result of competitive advantage not a cause. Therefore, a company should focus on building competitive advantage so as to attain market share and leadership not the other way around (ibid., p.26).

So that companies may identify competitive advantages, Porter developed what he termed the value chain as a systematic way of considering all the activities that a company performs and how they interact. The task of a company understanding where
its competitive advantage lies can only be undertaken by examining the many discrete activities that it performs in running its business and serving its customers. Thinking generic strategies, each activity can contribute to a company’s relative cost position or form a basis for differentiation (Porter 1985, p.33-35).

Figure 2-5 – The Generic Value Chain (ibid., p.37)

Porter explained the role of the value chain in building competitive advantage as follows:

*The value chain disaggregates a company into its strategically relevant activities in order to understand the behaviour of costs and the existing and potential sources of differentiation. A company gains competitive advantage by performing these strategically important activities more cheaply or better than its competitors (ibid., p.33).*
2.4.7 Waterman, Peters & Phillips - The 7-S Framework

2.4.7.1 Introduction

This work was originally published under the title 'Structure is not Organisation'. The work represents an examination of the elements that make up an organisation and proposes that the traditional organisational structure form (usually a pyramid) does not correctly represents how an organisation works. The reason why the authors were concerned with this concept of structure was that they felt the process of diagnosing and solving organisational problems meant not just looking merely at structural re-organisation for answers. Rather a new framework was required that included structure and several related factors (Waterman, Peters et al. 1980, p.14).

The authors also believed that earlier work on the relationship between structure and strategy was incomplete. In 1962 Chandler had put forward the thesis that structure followed strategy (Chandler 1962), that is, find the right strategy and structure will follow. However, the authors noted that unique structural solutions did not seem to flow from having found the right strategy; structure did not seem to be following strategy. Moreover, that a recurring problem in strategy seemed to be getting the chosen strategy implemented (Waterman, Peters et al. 1980, p.14).

2.4.7.2 Review

In formulating their model the authors reviewed the current thoughts of academia and business and created a new framework for organisational thought. From their research and in support of their framework they made three principle assertions:

➢ effective organisational change is not simply a matter of changing structure
  (although structure is relevant),
➢ although the interaction between strategy and structure is important, a change in strategy will not necessarily lead to an effective change in structure (structure does not automatically follow), and
effective organisational change arises out of the relationship between a number of elements that comprise the real framework of an organisation. These elements are structure, strategy, systems, style, skills, staff, and super-ordinate goals. (ibid., p.17).

In essence the thesis that flowed from their research was that organisational effectiveness stems from the interaction between those seven factors listed and therefore to implement a new strategy, management must have regard to those factors.

Figure 2-6 – A New View of Organisation (Waterman et al. 1980, p.18).
Examining each of these seven elements, the authors made the following observations:

- *Structure* divides tasks within the organisation and coordinates the execution of those tasks. As the size of an organisation increases, it reaches a certain threshold where it must either decentralise its activities to cope with the level of interaction or suffer a reduction of performance. It is irrelevant to performance as how structure may be diagrammatically represented in explaining task division and coordination in an organisation. What is important, however, is that the organisation must have the ability to focus intensely on those dimensions that are, at that point of time, critical to its growth. This is the real problem that structure must address and will require a structure that is flexible and temporary (ibid., p.19,20).

- *Strategy* is a critical element in organisational design, however, the concept that structure must follow strategy is simplistic and does not properly represent the complexity present. There are many elements that interact in forming effective organisation change. All of the elements, of which structure is only one, must be considered if strategy is to be effectively implemented (ibid., p.20,21).

- *Systems* refer to all the procedures, both formal and informal, that make an organisation function. These systems comprise the lifeblood of the organisation and underpin its performance. The presence of poor systems will lead to poor performance. Accordingly, any change in strategy and organisational design must be considered from the perspective of how the systems within the organisation will be effected and what changes in these may be needed (ibid., p.21).

- *Style* is an organisation’s culture and is evident in its pattern of actions. Style has a significant impact on the organisation’s ability to change both behaviour and performance and must be factored into strategy (ibid., p.21-23).

- *Staff* is the pool of resources available to the organisation that must be nurtured, developed, guarded and allocated (ibid., p.23).
Skills seek to capture an organisation’s crucial attributes - its capabilities. An organisation confronted with significant business discontinuities must be able to do more than merely shift its strategic focus; they will need to adjust their capabilities. One of the most difficult problems that an organisation faces is weeding out old skills and the systems and structures that support them so as to permit the important new skills to take root and grow (ibid., p.24).

Super-ordinate goals represent the guiding values and aspirations of an organisation. These usually cannot be found in writing and go well beyond corporate objectives. They can be said to be the fundamental ideas around which a business is built (ibid., p.24,25).

2.4.8 Peters, Waterman - In Search of Excellence

2.4.8.1 Introduction

This work, In Search of Excellence (Peters and Waterman 1982), arose out of the authors' research of what created and led to what they defined as excellence in a company. What the authors sought to determine was whether there were common traits amongst companies that exhibited market leadership and high profitability.

The authors at the conclusion of their research identified eight traits that they believed were common to the companies that they examined. The eight traits that they identified were, they believed, representative of excellence and innovation in a company. The thesis that they built argued that companies should strive to achieve these traits and that attaining them would result in improved performance and profitability for that company. A point of clarification the authors made was that although the eight traits maybe considered motherhood statements, they should not be discounted out of hand for this reason. The excellent companies that they researched
made these motherhood statements work by the fact that they really lived by these traits.

### 2.4.8.2 Review

The eight traits that were identified are as follows:

- **A Bias for Action** by not being paralysed through analysis and making sure the job gets done.
- **Close to the Customer** through providing unparalleled quality, service, and reliability. A process of learning from the people they serve.
- **Autonomy and Entrepreneurship** created by a process of fostering many leaders and innovators throughout the entire organisation.
- **Productivity through People** achieved by treating the rank and file workers as the root source of quality and productivity.
- **Hands-on, value driven** management achieved by senior management being close to the business and thereby creating a culture of being involved and excelling.
- **Stick to the Knitting** by not undertaking unrelated diversification but rather only being in businesses that the company knows well.
- **Simple Form, Lean Staff** by maintaining a simple organisational structure and a minimal head office staffing.
- **Simultaneous Loose-Tight Properties** achieved by pushing autonomy down to the factory floor while maintaining tight control of the direction of the company.

### 2.4.9 Grant: Resourced Based View of a Company

#### 2.4.9.1 Introduction

The resourced-based view of a company presents the thesis that a business should define itself not by the industry, in which it trades or by what customer needs it seeks to fulfill, but rather by what it is capable of doing. Such a definition provides a durable basis for strategy formulation that will withstand time and change (Grant 1991, p.15).
The resourced-based view considers a company's internal resources and capabilities in the formation of strategy and it in this respect that it is put forward as an appropriate method of strategy formulation:

- Firstly, internal resources and capabilities provide a direction which strategy may follow (do what you are good at), and
- Secondly, resources and capabilities are the primary source of profit in a company and therefore should be the focus of any strategy (ibid., p.116).

2.4.9.2 Review

The resourced-based view of strategy encompasses both:

- **Resources** being the inputs into the production process such as capital equipment, employee skills, know-how, patents, and
- **Capabilities** being the capacity for a grouping of resources to perform an activity.

And considers that while resources may be the source of a company's capabilities, it is those that capabilities are the main source of its competitive advantage (ibid., p.118-119).

Strategy formulation under the resourced-based view of a company would proceed as follows:

- identify and classify all of the company's resources,
- identify and catalogue all of the company's capabilities,
- appraise the rent producing capacity of the resources/capabilities mix that has been identified in terms of:
  - the potential to create sustainable competitive advantage, and
  - the appropriability of returns
- choose that strategy that will best exploit the company's resource and capability mix,
- identify and fill any resource gaps noted,
- replenish, augment and upgrade the resource base by acquiring additional resources and building new capabilities as required (ibid., p.115).
Within this resourced-based view the primary task in formulating strategy is that of seeking to maximise rents over time (ibid., p.119). To maximise returns regard must be had to the capabilities that lie in organisational routines. These organisational routines represent complex patterns of coordination between people and between people and other resources. A capability is, in essence, a routine or series of routines that a company performs. Competitive advantage lies in performing these returns better than its competitors (ibid., p.122).

When considering the potential to sustain the competitive advantage that arises from the resource/capability mix, there are four characteristics of the advantage that must be considered:

- **Durability** being the rate at which the resource/capability mix and the competitive advantage that arises therefrom may either depreciate or become obsolete.
- **Transparency** being the speed at which competitors are able to understand what it is that comprises the company’s competitive advantage (its strategy).
- **Transferability** is the ability of a competitor to acquire (rather than see through) the resource/capability mixes from the market so as to enable it to imitate the strategy.
- **Replicability** represents the ability of a competitor to imitate the company’s strategy using their internal sources as distinct from acquiring externally. (ibid., p.124-128).

As for the *appropriability of rents*, its value is dependent upon the degree of ownership that the company has in specific resource/capability mix. For example, while patents, trademarks, and copyrights may provide a certain defined right, employee capabilities are solely limited by the employees’ willingness to remain with the company. A company must therefore take care when building a strategy based upon resource/capability mix where their ownership is limited otherwise they may lose the advantage that lies in that mix (ibid., p.128).
Accordingly, the most important resource/capability mix, from which strategy may be built, are those that are durable, difficult to identify and understand, imperfectly transferable, not easily replicated and in which the company has clear ownership and control (ibid., p.129).

However, the resource-based view of strategy must not be seen to be simply limited to the utilisation of existing resources. This view of strategy is also concerned with the development of the company's resource base for the future so as to extend the positions of competitive advantage. So as to not only maintain but also expand the resource base of the company requires a continuing investment in resources and capabilities. The task of harmonising the exploitation of existing resources with the development of resources and capabilities to build future competitive advantage is a subtle task (ibid., p.131,132).

In summary, the key to the resource-based view of strategy formulation lies in the understanding the relationship between resources, capabilities, sustainable competitive advantage and profitability. The particular resource/capability mix of a company provides it with its identity and frames its strategy. It represents the company's unique characteristics that it must use to maximum effect to be competitive (ibid., p.133).

2.4.10 Mintzberg: Strategies

2.4.10.1 Introduction

Mintzberg work in strategic management theory focused the question, *how do strategies form in a company?* Mintzberg for more than ten years researched and considered this question and developed a definition of strategy as *a pattern in a stream of decisions* which he believed operationalised his concept of strategy.

Mintzberg research method was based upon the premise that if you isolated streams of behaviour, patterns or consistencies within decisions it was possible to identify the
underlying strategies. These strategies could then be investigated to determine what their real origin was. Of particular interest was the divergence between strategies that were planned or intended and what eventuated (Mintzberg and Waters 1985, p.257).

From this research the concepts of deliberate and emergent strategies developed upon which Mintzberg built his concept of strategy.

Finally, Mintzberg believed strategies were important to a company as they:

- set direction
- focus effort
- define the company
- provide consistency

All of which are essential if a company is to remain competitive (Mintzberg 1987a).

2.4.10.2 Review

The model that Mintzberg developed to represent his concept of deliberate and emergent strategies is as follows:

Figure 2-7- Types of strategies (Mintzberg and Waters 1985, p.258).
Mintzberg defined the various components as follows:

- **Deliberate strategies** are those in which the focus is on the direction and control of the planned strategy. Once intentions are set, all attention is then riveted on them and there is no place for adaptation or development (ibid., p.270).

- **Emergent strategies** describe a process where the concept of strategic learning is included. The process of strategy formulation is opened up to learning, taking one action at a time. Management is permitted to commence a strategy without fully understanding every aspect and an evolution in their thought and knowledge allows that strategy to grow and mature (ibid., p.271).

Having firstly established that strategies are not always preconceived, fixed and implemented as formulated, and secondly, that learning occurs, then the process of strategy formulation can be seen as one of **crafting** (Mintzberg 1987b, p.66). Expressing this process in a more practical sense, deliberate and emergent strategies form the end points of a continuum along which strategies are crafted. It is important to note that crafting requires not only control but responsiveness to the material being handled (ibid. p.69).

Strategies are therefore capable of forming as distinct from being formulated. **One of the great fallacies of conventional strategic management** is the notion that strategy is a process that occurs at the top of a company, far removed from the everyday running of the company (ibid., p.69). Arising from this reality is the fact that there is no one best way to make strategy. Effective strategies are capable of developing in the strangest places and by unexpected means, management must understand and use this fact to their advantage (ibid., p.70).

Mintzberg also believed **strategic re-orientations** (changes in the direction of strategy) either occurred in quantum leaps or in cycles of change. Considering each:

- **Quantum leaps** occur when companies attempt to leap to a new stability after having lost its direction. A company may pursue a fixed strategy with change
being more or less continuous but within the frame of the that strategy. However, over a period of time the company loses orientation with the environment and at some point it becomes necessary for a brief bout of revolutionary change. Such change is necessary for the company to remain competitive (ibid., p.71).

- **Cycles of change** describe the process in companies with creative experience. Creative companies usually have a more balanced growth pattern. They will at times fly off in a new direction in pursuing creativity and then settle back to the new course. It is process of continuous development and growth (ibid., p.72).

And although Mintzberg noted that change seemed to occur in quantum leaps or cycles, he also noted that periods of stability were required. Quite simply, companies needed to segregate the periods of change and stability. They needed to focus on one or the other, and could not mix the two for if they did strategic failures were often the outcome (ibid., p.72).

In summarising Mintzberg’s concept of strategic management, it can be said that the process requires the crafting of thought and action, control and learning, stability and change. The strategist must not only be a planner and visionary but also a pattern recogniser and a learner (ibid., p.73).

To craft strategy, management must be able to muster skills that will enable them to:

- **Manage stability** as companies will for most of the time pursue an existing strategy and must be able to focus upon that strategy.

- **Detect discontinuity** as the true art in crafting strategy lies in being able to detect the subtle discontinuities that may reflect an undermining of the business and its existing strategy.

- **Know the business** but not knowing in the sense of intellectual knowledge, not knowing through analytical reports or abstract facts and figures, although all of these will help, but knowing arising from an intimate understanding somewhat similar to a craftsman’s feel for the clay.

- **Manage patterns.** Discontinuity is most readily recognised through detecting emerging patterns. Once detected the company may begin to move with the
emerging pattern and help them take shape by having flexible structures within the company, hiring creative people, and defining umbrella strategies.

➢ *Reconcile change and continuity* by being able to know when to promote continuity and when to encourage change.

(iband., p.73-75).

2.4.11 Hamel & Prahalad: Strategic Intent, Core Competencies and Leverage

2.4.11.1 Introduction

Gary Hamel and C.K. Prahalad have been prolific writers, in partnership and individually, in the field of strategic management over the last 10 or so years. They have captured the attention of business leaders with their doctrines of strategy and have been the dominant thinkers in the field.

The first of their concepts that are examined herein, *Strategic Intent* was published in mid 1989 and has become the most reproduced article from the Harvard Business Review Journal (Hamel 1996a). The subsequent articles they wrote and the concepts that they carried therein are leveraged from this first, extremely successful, article.

In the research that Hamel and Prahalad undertook and the concepts that they developed, they identified what they considered to be a series of failings in the present theory and practice of strategic management. These failings may be summarised as follows:

➢ *The growth in strategic management theory and practice has caused competitiveness to decline.* As more Western companies have adopted strategic management practices so to have their competitiveness withered. What was suppose to have improved their competitive posture has in fact had the reverse effect. This decline in competitiveness can be directly attributed to the prevailing concepts of strategic management, such as strategic fit, generic strategies, strategy
hierarchy, that are professed and practiced in a majority of Western companies (Hamel and Prahalad 1989, p.63).

- **Strategic planning is like a sieve.** Strategic planning has been and still is a tool commonly used by management to control strategy, however, in reality it is no more than a feasibility sieve. Strategies advanced were either accepted or rejected purely on the basis of the preciseness of their plans. If the questions of when, where, what and how were tested and proven analytically, then the strategy was adopted (ibid., p.66).

- **Resource endowment does not ensure competitive success.** Initial resource endowment, whether that be bountiful or meager, is not a reliable predictor of global success. Resources do not ensure success. This has been a painful lesson learnt by many companies. Under present methods, an assessment of the current tactical advantages of competitors does not provide a clear understanding of issues such as resolution, stamina, and inventiveness, which may lead those companies to success. Nor do these present methods provide a basis for a company’s own planned success (ibid., p.64).

When considering businesses competing in global markets, *economies of scope* are as important as *economies of scale* in entering such markets. Economies of scope, however, demand a level of inter-business coordination that can only be secured through the intervention of senior management. Global leadership by a business cannot be precisely planned or predicted and requires a sponsor whom may transcend the resource and risk propensity of a single businesses unit (ibid., p.74).

- **A single SBU cannot create core competencies.** The recent corporate trend of decentralisation has resulted in companies adopting almost organisational recipe approaches to structuring including the creation of strategic business units (SBU). Unfortunately, the inherent nature of SBUs is to de-skill companies and to foster unhealthy competitive practices (ibid., p.74).
SBUs are typically created by product or market guidelines and as such little incentive or direction is provided in choosing between external and internal sourcing. However, internal sourcing underpins internal development that in turn yields deeply embedded organisational competencies that will eventually be exploited across multiple businesses in the group. Alternatively, external sourcing will only lead to immediate product competitiveness for the group. Further, a single SBU is unlikely to be able to sustain the level and duration of investment required in developing core competencies and will in fact most likely buy key components from a potential competitor (ibid., p.74).

➢ Traditional career management practices reduce competitiveness. Career development in companies usually describes a process whereby key managers are transferred around every few years so as to give them an exposure to a range of businesses. This method of career development often fails to provide managers with an understanding of the intimacies of any particular business or its market, which are essential for competitiveness. In addition, the methods of managerial performance measurement usually focus on short-term product and market profits and fails to encourage the development of core competencies (ibid., p.74).

No matter what level of ability a manager may possess, if they do not have a grasp on the intimacies of a business they are unable to partake in a real discussion of issues such as technology development, competitor strategies, market direction, customer needs etc., relevant to that business. Any discussions tend to stop at an analysis of numbers and performance ratios (ibid., p.74,75).

➢ A hierarchy of strategies also reduces competitiveness. Almost every strategic management theory developed is premised on the hierarchy of strategy concept attributed to Vancil and Lorange in 1975 (Vancil and Lorange 1975). Under this tiered approach to strategy formulation, corporate strategy guide business level strategy that in turn determines functional strategy. This strategy hierarchy undermines competitiveness within a company as it leads to an elitist view of management and disenfranchising (of strategy ownership) of most of the
organisation, much of which have a better understanding of the business than management do. Employees do not generally identify with policy that is dictated to them from above. Further, the need for upward communication is often ignored, or assumed to mean nothing more than feedback and of no relevance to strategy formulation (ibid., p.75).

The key concepts that Hamel and Prahalad developed through their research and which they believed overcame the problems noted above, may be summarised as follows:

- Management must create an obsession with winning at all levels of their company. This obsession should be driven to a stage where it is out of all proportion to existing capabilities. This obsession must be maintained and developed over 10 to 20 years (Hamel and Prahalad 1989).
- Management must identify relevant core competencies and then focus the entire group's attention on developing those competencies over the long term (Prahalad and Hamel 1990).
- Through management creating an obsession that entices the company it will cause the company to stretch and leverage itself and all its resources in striving to satisfy its obsession. This action will yield competitive advantages not only today but also in the future (Hamel and Prahalad 1993).
- Management must clearly focus their attention on what the future will be like and then build a shared vision around that future. This will provide a synthesis for visionary pursuits within the company (Hamel and Prahalad 1994).
- Management must seek revolutionary ideas and concepts in formulating its strategy and not permit itself or the process of strategy formulation to be hamstrung by convention and/or political self-interest (Hamel 1996b).

2.4.11.2 Review

Underpinning the approached developed by Hamel & Prahalad are three key concepts strategic intent, core competencies and stretch and leverage. The core of each of these concepts may be explained as follows:
2.4.11.2.1: Strategic Intent

The concept of strategic intent sets the agenda of Hamel and Prahalad in their approach to strategic management theory. Their research into competitive performance on a global scale had shown them that a new model of strategy was required if corporate performance was to be revitalised. Strategic intent was this model.

2.4.11.2.1-1: What is Intent

Strategic intent is most appropriately described as an obsession with winning. It can be seen as ambitions that are out of all proportion to a company’s present capabilities. It should be an obsession that is created and shared at all levels of a company and it must be sustained over a long period of time (10 to 20 years) (Hamel and Prahalad 1989, p.64). Strategic intent is fundamental for any company but even more so for those that may seek to achieve global leadership.

The attributes that may be ascribed to strategic intent that assist in understanding this concept may be seen as follows:

➢ The requirements of Intent.

Strategic intent must capture the essence of winning, remain focused over time and establish goals that will win the personal effort and commitment of all employees. (ibid., p.64,65).

For strategic intent to be created, management must be active in a process that supports and encourages:

➢ focusing an entire company’s attention on the essence of winning,
➢ motivating all employees by communicating the value of the goal being pursued,
➢ creating space for the individual contribution and team contributions,
➢ sustaining the enthusiasm through the setting of new operational definitions as circumstances change, and
➢ always looking to intent to consistently guide resource allocations.

(ibid., p.64).
Intent will lead to Stretch

When intent is created in a company it will stretch that company. Accordingly, senior management must support this challenge by seeking to close this gap by systematically building new advantages. Strategic intent must be directed by senior management and not seen as merely an exercise in the retrofitting of strategy to some entrepreneurial success that is flowing up from the lower levels (ibid., p.66,67).

The role of management in creating Intent

The role that senior management elect to play in the creation of intent in their company will be critical to the success of any strategic intent driven strategy. Such role must require them to be leaders who set the pace and the example. If sacrifices are necessary then they as an example, must bear the brunt of these rather than expecting employees to shoulder the burden of any restructuring or other actions that may arise in the pursuit of intent (ibid., p.68).

Senior management must drive and be instrumental in:

- creating a sense of urgency that will drive intent,
- developing a competitor focus throughout the company supported by the widespread use of competitive intelligence,
- providing employees with the training and skills they need to work effectively,
- providing the company with the time and ability to digest one challenge before launching into another, and
- establishing clear milestones to recognise achievement and an appropriate review mechanisms.

(ibid., p.67).

2.4.11.2.1-2: The Essence of Strategy

The essence of strategy lies in creating tomorrow’s competitive advantages more rapidly than the capacity of competitors to replicate the advantages that are held today. The essence of defence therefore lies in the company’s capacity to improve existing skills and learn new ones. Strategic intent must encompass this fact (ibid., p.69).
2.4.11.2.1-3: The Essence of Competitive Innovation

Creating competitive innovation not competitive imitation is the goal. Competitive innovation requires containing competitive risks within manageable proportions. (ibid., p.69). The various ways in which a company may create competitive innovation are:

- **Building layers of competitive advantage** rather than focusing on only one generic advantage as has been the conventional wisdom. Various sources of competitive advantage are mutually desirable not mutually exclusive (ibid., p.69).

- **Searching for loose bricks** in the competitive strategies of competitors. Through a carefully examination of competitors’ conventional wisdom with respect to their market and then locating market territory just outside that currently occupied by the competitor you can identify opportunities to be pursued. The questions effectively being as are: How is the served market defined? What activities are most profitable?: Which geographical markets are ignored? (ibid., p.70).

- **Changing the terms of engagement** proffered by the industry by refusing to accept the market leader definition as to how one should compete in the market. In pursuing such as course the key lies in recognising that barriers to imitation are not the same as barriers to entry. Simply because a market may prima facie display high barriers to entry based on imitation of the market leader does not mean that the real barriers to entry into that market are also high. Innovation in this regard may be viewed like judo and using a large competitor’s weight against it (ibid., p.69).

- **Through licensing, outsourcing and joint ventures** building and multiplying the competitive effort directed against a competitor (ibid., p.70).

2.4.11.2.1-4: The New View of Strategy

Strategic intent requires that a new view of strategy be built. This mapping of intent is outlined in the description given above. Strategic intent if adopted will ensure:

- a consistency in resource allocation in the long term,

- the clear articulation of corporate challenges that will focus the efforts of individuals in the medium term, and
that competitive risk will be reduced through competitive innovation in the short
term.
(ibid., p.71).

The key to leveraging limited resources in pursuit of ambitious goals lies in creativity
and involvement in the short term built upon focus in the medium term and
consistency in the long term. However, it is critical that management does not play the
competitive game by the market leader’s rules, as this is usually competitive suicide.
The goal must be, not to compete by the existing rules or even in a market niche but
rather, to create a new space that is uniquely suited to your company’s unique
strengths; one could describe this as space off the competitive map (ibid., p.72).

2.4.11.2.2: Core Competencies

Only if the company is conceived of as a hierarchy of core competencies, core
products, and market-focused business units will it be competitive. Core competencies
must be seen as the wellspring of new business development for a company. These
competencies should constitute the focus of strategy considerations at corporate level.
From core competencies, management must then compete to win manufacturing
leadership in the core products spawned from the competencies. From the core
products they must then seek to capture a global share of end products through brand-
building programmes aimed at exploiting economies of scope (Prahalad and Hamel
1990, p.91).

2.4.11.2.2-1: How Competitiveness is Built

Short-term competitiveness lies in the price/performance attributes of the current
product range. However, long-term competitiveness will be determined by a
company’s ability to build core competencies. These competencies will then yield
unanticipated products, more rapidly and at a lower cost than competitors are capable
(ibid., p.81).
2.4.11.2.2-2: The Real Source of Competitive Advantage

The real source of competitive advantage for a company lies in its management's ability to consolidate company-wide technologies and skills into competencies that permit and empower individual business units to recognise and adapt quickly to new opportunities as they are detected (ibid., p.81). This art of building core competencies rests with viewing the various companies in a group as a portfolio of competencies rather than a portfolio of businesses (ibid., p.81).

2.4.11.2.2-3: Core competencies defined

In seeking a definition of the concept of core competencies, the follow perspectives of what a competence is, may assist:

- the collective learning in a company, for example, the competencies reflected in the ability to coordinate diverse production skills and integrate multiple streams of technologies.
- the art of harmonising streams of technology including the coordination of work activity and the delivery of value to customers.
- integration of communication and a deep commitment to working across organisational boundaries.
- abilities that are not diminished through use but rather are enhanced as they are applied and shared.
- the glue that binds existing businesses together combined with the engine of new business development that underpins and directs patterns of diversification and market entry. (ibid., p.82).

2.4.11.2.2-4: The Characteristics of Core Competencies

Another way in which prospective core competencies may be identified is to determine if they satisfy the following tests; competencies:

- must be able to provide potential access to a wide variety of markets,
- should make a significant contribution to the perceived customer value of the end product, and
- should be difficult for competitors to copy or imitate.

(ibid., p.83,84).
2.4.11.2.2-5: Visualising Competencies
In building an image of how competencies may overlay an exiting company, visualise the company as a tree. The strength of the tree and its longevity lies in it sinking sufficiently strong roots. In sinking these roots a company must answer the following fundamental questions:

➢ How long can we maintain our competitiveness in this business if we do not control/lead this particular core competence?
➢ How central is this core competence to our perceived customer value?
➢ What future opportunities would be foreclosed if we lost leadership in this particular competence?

(ibid., p.89).

2.4.11.2.2-6: What are Core Products
Core competencies must spawn core products. Core products may be described as the components or subassemblies that actually contribute to the value of the end products, for example, the technology to scan images in a facsimile machine. Core products can be built into many varied end products.

It is essential to draw a clear distinction between core competencies, core products, and end products, as the competitive rules are very different at each level. These three levels represent the three competitive planes upon which battles for global leadership in core competencies are fought (ibid., p.85).

2.4.11.2.2-7: The Key to Global leadership
Well-targeted core products will lead to economies of scale and scope as they supply a market for successful end products. The manufacture of these core products provides not only revenue but more importantly vital market data in the form of customer feedback that will permit the enhancement and expansion of the competencies underlying these products. Maintaining leadership in a core competency is therefore a matter of maximising the market share of core products. At the level of core
competency, the goal is to build leadership in the design and development of a particular class of product functionality (ibid., p.85, 86).

Following within this line of thought, if a company is winning the race to build core competencies, as distinct from building leadership in a few technologies, it will almost certainly outpace its competitors in new business development. If a company is winning the race against its competitors to capture a world manufacturing share in core products, it will probably outpace rivals in improving product features and the price/performance ratio (ibid., p.85,86).

2.4.11.2.2-8: The Reasons Why SBU Structures Do Not Enhance Creation of Core Competencies

Companies that are structured into strategic business units (SBU) will need to rethink their structure if they intend to develop core competencies as the foundation to their strategy. Fundamental to the SBU structure is the fact that only one plane of the global competitive battle, the end product plane, is visible to senior management (ibid., p.87). As such they are blinded and are unable to view the competitive battle for competencies. This lack of visibility leads to:

➢ An under-investment in developing core competencies and core products. If a group is structured along SBU lines, then it is unlikely that a single business unit will be able to justify the investment required to build world leadership in a chosen core competence. It is also unlikely that it would be capable of being responsible for maintaining a viable position in core products (ibid., p.87).

➢ Imprisoned resources. Critical resources that are held by one SBU would not be available to other SBUs as each is only concerned with its own future. Further, management are unlikely to be able to look down through their company and identify the people who may embody critical competencies (ibid., p.87).

➢ Bounded innovation. Given the absence of a focus on core competencies, each individual SBU will only pursue those opportunities that are close at hand (ibid., p.89).
2.4.11.2.2-9: Strategic Architecture

The development of a strategic architecture will assist diversified companies overcome the shortcomings of SBU structuring by establishing objectives for competence building (ibid., p.89).

A strategic architecture may be defined as *a road map of the future that identifies which core competencies to build and their constituent technologies* (ibid., p.89).

If management designs a strategic architecture it will:
- underpin the impetus for learning from alliances and a focus for internal development efforts,
- provide a consistent logical pattern for product and market diversification,
- ensure resource allocation priorities are transparent to everyone,
- define the company and the market it serves,
- force the company and all its components to identify and commit to the technical and production linkages across SBUs, and
- serve as a tool for communicating with customers and other interested parties (ibid., p.89).

2.4.11.2.3: Stretch and Leverage

2.4.11.2.3-1: The 'Why' of Competitiveness is Important not the 'What'

The lack of competitiveness within companies can be likened to an illness that although diagnosed, and even though methods of treating some of its symptoms have been found, we still do not know how to keep people from getting sick in the first place. Despite the fact that companies and industries have been analysed in mind-numbing detail in the drive to understand the dynamics of competitive battles, we still do not understand where competitiveness comes from and where it is goes to. (Hamel and Prahalad 1993, p.75, 76).

Why do some companies continually create new forms of competitive advantage, while others watch and follow? Why do some companies redefine the industries in
which they compete, while others take the existing industry structure as a given? Studying the *what* of competitiveness will tell us why one company is more competitive than another but not the *why*. Understanding the *what* is the prerequisite for catching up with competitors, however, understanding the *why* is the prerequisite for getting ahead of competitors (ibid., p.75,76).

2.4.11.2.3-2: Managerial Frames are the Key to Understanding Competitiveness

Managerial frames represent the boundaries in which a company will compete and may explain part of the *why*. Accordingly, the long-term competitiveness of a company will depend on management’s willingness to continually challenge their managerial frames. Managerial frames also determine to a large part which diseases a company will fall prey to and which it will avoid (ibid., p.76).

To gain an understanding of a company’s competitiveness, managerial frames should be deconstructed. This process should commence with the initial question of, *What is strategy?* For many senior managers the concept of strategy revolves around on three concepts:

- the concept of fit, being the match between the attributes of a company and its competitive environment,
- the allocation of resources amongst competing investment opportunities, and
- a long-term perspective in which *patient money* figures prominently.

(ibid., p.77).

The predominant adoption of this strategy concept of fit has obscured the merits of an alternative frame in which the:

- concept of stretch supplements the idea of fit,
- leveraging of resources is as important as allocating them, and
- long-term has as much to do with consistency of effort and purpose as it does with patient money and an appetite for risk.

(ibid., p.77).
The concept that this alternate frame of reference is attempting to introduce is that companies that have a greater gap between available resources and aspirations, those that are stretched, can in fact act far more competitively than those that are well resourced (ibid., p.77,78).

2.4.11.2.3-3: Stretch will produce...

The characteristics of companies that are stretched are:

- a view of competition as encirclement rather than confrontation,
- an accelerated product-development cycle,
- tightly knit cross-functional teams,
- a focus on a few core competencies,
- strategic alliances with supplies,
- programs of employee involvement, and
- consensus amongst all members of a company.

(ibid., p.78).

2.4.11.2.3-4: Management's Role in Creating Stretch

Stretch may be described as a misfit between resources and aspirations and it may represent the single most important task senior management faces in creating competitiveness. Leveraging is the process of working with those limited resources to compete in the marketplace. Management can leverage its resources in five basic ways, it may:

- Concentrate its limited resources more effectively on key strategic goals through convergence and focus. Convergence prevents the diversion of resources over time while focus prevents the dilution of resources (ibid., p.79).
- Accumulate resources more efficiently through extraction and borrowing (ibid., p.80).
- Complement one kind of resource with another to create a higher order value through blending and balancing (ibid., p.81).
- Conserve existing resources wherever possible through recycling, co-opting and shielding (ibid., p.82).
Recover resources from the marketplace in the shortest possible time by expediting success (ibid., p.83).

2.5 Conclusion

2.5.1 Aim

The aim of this chapter was to review the development of contemporary Western strategic management theory with the object of providing a succinct summary of the key concepts, principles and paradigms present in this field of study. This aim was to be achieved through a critical review of literature in the field of strategic management, the distilling of key concepts, principles and paradigms and the drawing together common themes to form key criteria.

This summary represented the first vertex of the triangulation noted in chapter 1 and also forms a framework under which the strategic management practices of experienced Australian businesspersons (the second vertex) may be examined.

The aim of this Conclusion is to draw together common themes and then list the key criteria that will form the framework for examining the practices of experienced Australian businesspersons.

2.5.2 Key Criteria Identified

The preceding review of literature reflected that strategic management theory is a fragmented and developing field of study with little consistency between the various theses that have been advanced by each of the key researchers. Although, there certainly do exist some common themes which most researchers support, such as a focus on the future, these common themes are not dominant within each thesis as each researcher has pursued their own individual approach to strategic management.
The fact therefore remains that over the past forty years no dominant paradigm has arisen that continues to be accepted by either academics or the business community (De Wit and Meyer 1994, p.xiii). Further, the study of strategic management has provided little more than a handful of analytical tools (Hamel and Prahalad 1989, p.71).

However, although the field of strategic management may not have consolidated itself around a central or foundational theorem, there do exist a number of criteria that can be identified from literature around which the various theses have been advanced and argued. *It is these criteria that can serve as a framework from which to examine the practices of experienced Australian businesspersons.*

Accordingly, the following criteria can be found as a common basis of issue to the various works of research reviewed herein. Appendix 1 displays a matrix of author/criteria that was used to locate common themes. It is with these research criteria in hand that the examination of the strategic management practices of experienced Australian businesspersons can proceed.

The key criteria identified are as follows:

- What is the *process* where by strategies are formed or created
- *Whom* should form these strategies
- *What position* should/would they hold in the organisation
- How important is *formal analysis and planning* in forming strategies
- What *level of knowledge* must they have of the business
- Are *formulation and implementation* separate activities
- How important are such aspects as:
  - *intuition*
  - *intimate market knowledge*
  - *vision*
  - *drive, motivation*
- What is the role of *leadership*
Core competencies and competitive advantage; are there concepts such as these which should be focussed upon

What role should a reward system play in strategy formation

Are there certain characteristics which should be present in your organisation to enhance its competitiveness

How does a Head office develop strategies for its subsidiaries

Is strategy formulation an annual process or a dynamic one

How important is intelligence gathering in strategic management
PART TWO

Chapter 3 : Research Design & Methodology - Practices

3.1 Introduction

This chapter explains the research design and methodology used in the determination of the strategic management practices of experienced Australian businesspersons, being the second vertex of the triangulation. It does not seek to reiterate the overall research design upon which this thesis is based, such explanation having been provided in chapter 1.

Accordingly the aim of this chapter is to provide an explanation of:

- the Research Design; being the overall approach to the research of the subject matter being the determination of strategic management practices, and
- the Research Method; being the methodology used in support of the approach detailed in the design.

The purpose of this explanation is so as to permit an assessment of the accuracy and validity of the research data obtained upon which the findings of the second vertex of the triangulation will be made.

The chapter commences with a review of the research design including the defining of the research question. It then continues with a detailed examination of the methodology adopted in support of the design and addresses all relevant issues arising therefrom.
3.2 Research Design

3.2.1 Introduction

As noted in chapter 2, Literature Review-Contemporary Western Strategic Management Theory, there is no one dominant paradigm in contemporary Western strategic management theory nor could it even be said that there exists a clear pattern of progression with early theories being discounted and replaced by new ones. Rather, there has been a progression of theories on many fronts, almost as if, as the tree has grown so has it grown many branches.

Accordingly, so as to achieve the aim of this part of the research effort (identification of practices), it is necessary to recognise the existence of this metaphoric tree and its many branches as this directly influences the research design.

So as to achieve an effective comparison of the strategic management practices of experienced Australian businesspersons with, what has been may be defined as internationally recognised strategic management concepts, all branches of the tree must be considered. Internationally recognised strategic management concepts refer to the summary of contemporary Western strategic theory reviewed in chapter 2.

It is therefore proposed to define the root of the tree as the principal research question and to develop a series of principles to test for the existence of each of the principal branches.

The extent (ultimately) to which the practices of experienced Australian businesspersons reflect (compare to) internationally recognised concepts will depend upon how many branches (principles) are supported.

This is not a process akin to factor analysis but rather one of identifying characteristics that may be used to describe strategic management practices. For example, as hair colour, skin tone, facial features, build, height, weight etc. may be used to describe a
person, so to do the principles, as noted above, describe strategic management practices.

3.2.2 Research Question

The goal of this research effort is to examine, determine and then describe the strategic management practices of experienced Australian businesspersons. So as to provide a scientific basis upon which to conduct this examination the following research question is posed:

*Are the strategic management practices of experienced Australian businesspersons comparable to internationally recognised strategic management concepts?*

3.2.3 General Approach

The research question is structured in three limbs and creates three stages to the research:

- What are internationally recognised strategic management concepts?
- What are the strategic management practices of experienced Australian businesspersons?
- To what extent are these concepts and practices comparable?

Accordingly, the research design is structured into three stages:

- *firstly, the determination of internationally recognised concepts.* The determination of internationally recognised concepts has been completed in Part One of this thesis and is documented in chapter 2, being the Literature Review—Contemporary Western Strategic Management Theory.
- *secondly, the determination of the strategic management practices of experienced Australian businesspersons.* Qualitative research methods in the form of scheduled non-standardised interviews and quantitative methods in the form of questionnaire surveys will be used to determine these practices.
- *thirdly, the comparison of the results from steps one and two.*
3.2.4 Definitions

For the purposes of this research the following definitions are applied:

- *internationally recognised strategic management concepts* are those concepts as identified through the review of literature detailed in chapter 2.
- *experienced Australian businesspersons* are those persons resident within Victoria and New South Wales as listed in the publication *Who's Who in Business in Australia* (Australia 1997 & 2000).

3.2.5 Focus of Research

The focus of this research is on individual businesspersons as distinct from business organisations. As will be noted from the research question, the population is defined as *businesspersons* not the organisations for which they may presently work.

3.2.6 Problem of Research Scope

The population (experienced Australian businesspersons) presented by the research question is broad and represents a group for which it is difficult to draw defining parameters. The population would potentially include those persons:

- operating their own business (a definable element from government statistics),
- employed to manage the businesses of other persons (not definable from government statistics), and
- presently retired who were in either of the previous two categories (not definable from government statistics).

As the proposed research design is premised upon a scientific research model, it is necessary that the population size of the target group be quantified (Krejeie and Morgan 1970). The proposed scientific research model requires that:

- a statistically valid sample be drawn from the target group,
- that qualitative and quantitative tests be conducted with the sample group, and
- that statistical inferences be drawn from the results of the tests conducted.
Experienced Australian businesspersons are a group for which an accurate population size cannot be determined. It is therefore proposed to identify a population group that is readily definable, which is considered representative of the population identified in the research question and which may be substituted for the originally defined group. Accordingly, the population of experienced Australian businesspersons is defined as those businesspersons resident in Victoria and New South Wales, who are listed in the publication *Who's Who in Business in Australia* (Australia 1997 & 2000).

3.2.7 Justification for the Use of 'Who's Who' Publication

The justification for the definition of experienced Australian businesspersons as those persons listed in the publication *Who's Who in Business in Australia* (ibid.) lies in the following:

- as previously stated the practicalities of undertaking a valid scientific research study of such a population requires the identification of a definable group. The listing of persons in *Who's Who in Business in Australia* is such a group.
- the publication selected offers a non-biased sample of the population set in the research question. Non-biased in that it has not sought to specifically to include or exclude any particular grouping save for its purpose of creating a directory of experienced, prominent, and successful Australian businesspersons.
- the listing of persons contained in the population as defined herein was created in 1992 from the publication *Who's Who in Australia* which is a database established in the early 1920s. The In Business edition lists all Australian businesspersons who:
  - are prominent in their field, or
  - manage a business that has an annual turnover of at least $20 million, or
  - manage a business that has 200 or more employees, or
  - are employed at senior management level in one of Australia’s top 1000 companies.
- the publication is updated continuously by a full time researcher and published in hard copy and electronic form annually.
the population characteristics lend themselves to facilitating quality research in that those persons, as described above, will generally have hands on experience in strategic management.

Accordingly, it is believed that the publication *Who's Who in Business in Australia* (ibid.), does in fact represent a record of experienced Australian businesspersons and is suitable as a population base in the testing of the stated research question.

3.2.8 Restriction of Sample Frame

In considering the structure of the research design, it was decided to restrict the sample frame extracted from the population as defined to residents in Victoria and New South Wales. The reason for this decision lay simply in the what was believed to be the logistical practicalities of undertaking interviews and gaining adequate response levels to surveys.

It is believed that this restriction of the sampling frame does not affect the overall integrity of the research into Practices as currently resident within Victoria and New South Wales is 83% of Australia's Top 100 companies and 77% of Australia's Rich 200 members, with both percentages having declined over the past ten years (Shann 2000). Accordingly, the majority of the target population resides in the states selected.

3.2.9 Basis of Comparison

The third stage of the research design calls for a comparison of internationally recognised concepts with the practices of experienced Australian businesspersons. This comparison is achieved by considering the practices of experienced Australian businesspersons against those concepts identified during the review of literature as detailed in chapter 2.
The conclusion of chapter 2 has identified key criteria that will be used as the basis of the comparison. This key criterion is examined and refined through the qualitative and quantitative research activities enabling a blending of theory and practice and the production of an effective comparison.

3.3 Research Method

The following methodology will be adopted:

3.3.1 First Stage - Review of Literature

The review of literature was undertaken by an initial review of contemporary texts in strategic management theory. This preliminary review was then expanded to include relevant academic journals for the last fifteen years. Given the macro nature of the subject under review, the journal searches were conducted manually and not through electronic database searches.

3.3.2 Second Stage – The Strategic Management Practices of Experienced Australian Businesspersons

3.3.2.1 Longitudinal Characteristics

There is a longitudinal character to the research undertaken in that it was conducted in a lineal fashion from 1997 to 2000 commencing with Victorian and then proceeding to New South Wales.

The interviews within Victoria were undertaken during the entire calendar year 1997 and in New South Wales during the first quarter of 1999.

The survey forms were distributed in the last quarter of 1997 in Victoria and in NSW during the first quarter of 2000.
3.3.2.2 Population

The population for the second stage (experienced Australian businesspersons) as defined at ref. (3.2.4) are approximately 2600 and 5500 persons for Victoria and New South Wales respectively. This number has been arrived at by a manual count of those persons resident in each state from *Who's Who in Business in Australia* (Australia 1997 & 2000). The count for Victoria was drawn from the 1997 edition and for New South Wales from the 2000 edition.

3.3.2.3 Sampling frame

To be able to draw statistically valid inferences from the survey results arising from the testing of the sampling frame drawn from the total population, it has been determined that the following sampling frames must be drawn on a random basis:

- 335 persons in Victoria, and
- 567 persons in New South Wales.

(Krejcie and Morgan 1970).

The random sample will be made by selecting approximately every 8\textsuperscript{th} and 15\textsuperscript{th} name, Victoria and New South Wales respectively, manually from *Who's Who in Business in Australia* (Australia 1997 & 2000).

A filter will be applied at the random selection stage to exclude from the sampling frame any members of the population selected by random sample whose employment/work history indicates they are not experienced Australian businesspersons. The defined population selected includes both politicians and trade unionists that are considered not to be reflective of the population stated in the research question.
3.3.2.4 Consideration of Stratification of Sample

Stratification of the sample frame would ensure that representation from specific groupings within the sample frame, which might otherwise not be included if left to the chance selection under random sampling, are included in the sampling frame.

As the aim of this research is to identify and describe the practices of experienced Australian businesspersons as a general group, it is not considered appropriate to stratify the sample. It is not an aim to specifically examine a grouping within the total population.

If a particular grouping of persons, for example senior management with no formal education, represent only a small percentage of the persons selected in the sampling frame then given random sampling such number should be representative of their presence in the total population. Restating the aim of this research again, as the object of the research is to examine experienced Australian businesspersons as a grouping, it is not appropriate to specifically examine any of the sub-groups that may comprise the total population. Accordingly, stratification of the sample frame is neither required nor necessary in the examination of the research question.

However, the quantitative data collected from the respondents will be stratified along demographic line as part of the statistical analysis conducted.

3.3.2.5 Confirming of Criteria

A purposive sample (non-probability) of 35 persons (Victoria) and 42 persons (NSW) will be selected from the defined population for scheduled non-standardised interviews. The purpose of these interviews is to clarify and firm up those matters listed as key criteria for the examination of practices as detailed at ref. (2.5.2).

200 (Weekly 1995 & 1998). A listing of the Businesspersons who were listed in the 1995 and 1998 editions and included in the purposive sample is contained in Appendix 2.

All those persons included in the purposive sample are listed in *Who's Who in Business in Australia* (Australia 1997 & 2000), and as such the integrity of the population is maintained between the qualitative and quantitative testing, that is, they are both drawn from the same population.

At the commencement of the research it was recognised that it may be very difficult to obtain interviews with many of the persons listed in the Rich 200 list. However, as all these persons had accumulated their wealth through their own business efforts (it is acknowledged that some have built upon prior generations' wealth, but all are active in the management of their businesses), it was considered that their opinions and input to this research effort would be valuable. It is for this reason that the *Business Review Weekly Australia's Rich 200* list was chosen as the basis for the non-probability sample.

An interview guide (Appendix 3) was prepared from the key criteria developed in chapter 2 for use in the scheduled non-standardised interviews.

### 3.3.2.6 Formation of Principles

So as to solve the stated research question (ref. 3.2.2), principles will be constructed to form the basis for testing the practices. However, as these principles will be used as a *measure* to facilitate the examination of the practices of experienced Australian businesspersons, it is critical that these principles fully reflect the possible scope of the practices they are meant to test. Accordingly, given the lack of a dominant thesis in the field of strategic management as discussed at ref. (2.5.2), it has been decided to formulate these principles for testing once the qualitative research (interviews) have been concluded. The basis for formulating the principles after the completion of the
qualitative research lie in what is generally termed a *generative research approach* (Simon 1994).

In conclusion, once the qualitative research has been completed, a clearer picture will exist as to the prospective application of the key criteria developed from the literature review to the practices of experienced Australian businesspersons and the principles can be drawn to ensure a valid and accurate examination.

### 3.3.2.7 Construction of Questionnaires

Once the qualitative research noted above has been completed, questionnaires will be constructed to provide statistical data to test the various principles. These principles were drawn from the key criteria cited at ref. (2.5.2) as a conclusion to the literature review and pursuant to their clarification through the interview process.

It is intended that the questionnaires will be delivered by normal post. The purpose of the questionnaires is to provide a basis for quantitative analysis of the strategic management practices of experienced Australian businesspersons.

It is envisaged that the questionnaires will be constructed using questions structured so as to yield principally nominal and ordinal scale data.

### 3.3.2.8 Pre-testing of Questionnaires

Pre-test questionnaires will be sent to the Victorian residents as they will be the first sampling frame to be subject to quantitative testing. The pre-test will be applied to 10% of the planned sample of Victoria determined on a random basis with each 10th person pre-tested.

The purpose of the pre-test is to determine whether the questionnaire is written and designed in a format that can be readily understood by the persons in the planned
sample and that the response rate appears acceptable. It is intended to select a sample of the persons receiving the pre-tested questionnaire and follow through by telephone interview to form an opinion as to the suitability of the format of the questionnaire.

Adjustments/corrections will be made to the questionnaire as found necessary.

3.3.2.9 Quantitative Research

The final questionnaire will be circulated to the remaining members of the sample frame. The following procedure will be used to manage the survey:

- Day 1 - mail distribution of questionnaire
- Day 10 - mail distribution of reminder
- Monitor response and send second reminder if necessary
- Distribution of further copies of questionnaire as requested

The Victorian residents of the sample frame will be tested firstly. The NSW residents will be tested after the Victorian results have been analysed.

3.3.2.10 Statistical Analysis - Qualitative research

It is not intended to statistically analyse the results of the qualitative research, that is the interviews with experienced Australian businesspersons listed in the *Business Review Weekly Australia’s Rich 200* (Weekly 1995 & 1998). Rather, the results of the interview will be used in a more *generative manner* (Simon 1994), to confirm and clarify the key criteria at ref. (2.5.2) and to assist in the forming of principles for testing.

3.3.2.11 Statistical Analysis - Quantitative research

Data collected through the quantitative research (mail survey questionnaires) will be coded and input into the statistical analysis program SPSS for Windows (version 9.0) for analysis.
It is envisaged that the data will principally be nominal and ordinal in nature and therefore will be subject principally to descriptive analysis in line with the aim of this research.

3.3.2.12 Testing of Principles

The statistical analysis of the quantitative data will be used to support the various principles. Given the macro nature of this research, each principle will be tested by the data gathered from one specific survey question and although consistency in related questions will be examined, this will be undertaken within the scope of chapter 6 - Review and Discussion of Findings.

The statistical analysis of the data will be limited to descriptive analysis being frequency responses, percentiles, sum, mode, rank order and median. The limitation on the analysis arises out of:

- the scale of measurements intended to be used in the survey, namely nominal and ordinal,
- what is accordingly considered valid statistical methods (Zikmund 1994, p.462), and
- in line with the aim of this research.

Each Principle will be supported upon a pre-set measure of central tendency and measure of dispersion where appropriate (the decision criteria). Restating again, given the nature of the scales of measurement, mode or median will be used as the measure of central tendency and percentiles as the measure of dispersion (ibid., p.494).

3.3.2.13 Additional Statistical Testing – Consistency of Data

In addition to the statistically testing that will be undertaken in supporting the various principles, the data will also be tested (exploratory) along demographic lines as follows:
Firstly, the data will be split into two groups according to the residency of the respondents (Victoria and New South Wales) so as to determine whether any significant differences exist in the way each group responded to the various questions. Mann-Whitney test will be applied in this respect.

Secondly, the data will be split along demographic lines to identify any significant differences in respondents' answers. The demographic splits will be made along size of company both in terms of sales dollars and number of employees, educational level, and management style. Kruskal-Wallis test will be applied in this respect.

3.3.2.14 Ethical Clearance & Confidentiality

Ethical clearance has been obtained from the relevant University Ethics Committee for the conduct of the interviews and questionnaire surveys.

Respondent confidentiality was a condition of ethical clearance and an undertaking given to survey respondents. Accordingly, no reference will be made in the result sections of this thesis that may identify respondents.

In the reporting of the results of interviews all references to individual companies etc. have been removed and rather than reporting the results of individual interviews, a summation of key concepts and comments advanced has been provided. Again, this to provide confidentiality.

3.3.3 Third Stage - Comparison

The process for creating a basis of comparison between Western theory and practices will proceed as follows:

- the key criteria to provide a measure for comparison will be identified from the literature review in chapter 2 (identify international recognised concepts).
➤ principles will be developed from the criteria and tested through the qualitative and quantitative research.

➤ the various principles will be supported/not supported through the application of statistical tests measured against the decision criteria.

➤ the principles tested represent the key attitudes and practices of experienced Melbourne business persons and may be used to draw a picture of strategic management practices.

➤ the results of the principle testing will also provide the basis of the comparison between theory and practice.

➤ conclusions will be drawn from the above results.
Chapter 4 : Qualitative Research - Interviews

4.1 Introduction

The aim of this chapter is, firstly, to provide particulars of the conduct and outcome of the qualitative research stage (interviews) and secondly, to relate the results of the interviews against the key criteria established from the literature review in chapter 2.

The chapter commences with a review of the sample frame selected for the qualitative research and the conduct of the overall interview process. The chapter then proceeds to report the commentary obtained from the interviews by topic heading and relating this commentary back to the key criteria established in chapter 2. The chapter concludes with general observations reflecting upon the comparison between the interviewee comments and chapter 2: literature review, leading to the drawing of a merged set of key criteria reflecting theory and interviewee input.

4.2 Sample Selection

A purposive (non-probability) sample of 35 persons from Victoria and 42 persons from New South Wales was selected from the population of experienced Australian businesspersons. The purposive sample was selected upon the basis of those persons who were listed in the 1995 and 1998 editions of Business Review Weekly Australia’s Rich 200 (Weekly 1995 & 1998) who are resident in Victoria and New South Wales. The Rich 200 listing contained 47 and 55 names of persons and families who are resident in Victoria and New South Wales respectively. The selection of 35 and 42 names was made on a judgement basis eliminating families where no one individual person was prominent and selecting only one member from each family group where for example two or more family members were listed individually. All persons listed in Rich 200 list are also listed in Who's Who in Business in Australia. (Australia 1997

The sample was chosen to provide a frame from which to conduct scheduled non-standardised interviews. These interviews were held to clarify key criteria established from the review of literature and noted at ref. (2.5.2), prior to proceeding with the quantitative research.

The Rich 200 list was chosen, as a basis for the purposive sample, as the persons contained on that list are experienced Australian businesspersons whose success in business is self evident from the wealth they have been able to create to warrant a position in Australia’s Rich 200. Given that this research is directed at success in business, it was considered an appropriate target group.

Letters requesting interviews were sent to the 35 and 42 persons selected. A sample of the letter is contained in Appendix 4. The interview instruction sheet is contained in Appendix 3. As noted in the research methodology the task of obtaining interviews with these persons was not a straightforward process. Most of the persons selected traveled frequently and have very busy schedules. Obtaining interviews was a matter of maintaining regular contact with their respective secretaries over an extended period of time. Many scheduled interviews were rescheduled, and rescheduled.

The initial letters of invitation for the Victorian residents were sent in early December 1996 and the last of the interviews was held in late October 1997. The New South Wales interviewees, however, were quicker to respond than their Victorian counterparts. Invitations were sent in January 1999 and the last of the interviews was held in March 1999.

Despite the difficulty in obtaining interviews, it is extremely fortunate that this research effort was able to obtain the time and contribution of a number of these persons.
4.3 Interview Process

Interviews were obtained with 12 persons in Victoria and 9 persons in New South Wales representing 34% and 21.5% respectively of the purposive sample. The duration of the interviews varied between 20 minutes and 90 minutes. The interviews were scheduled non-standardised, however, a set of instructions were prepared to guide the interview process. A copy of the interview instructions is contained in Appendix 3. The content of the interviews was recorded by note-taking and immediate post-interview recall.

The interviews were free flowing with the interviewee having control over the direction and content of the interviews within the general constraint of the focus of the interviews being how to create and maintain competitiveness within an organisation, see (ref. 2.3.5).

However, in accord with the interview instruction sheet there were issues put forward as points for discussion. These points were identified as key criteria pursuant to the review of literature (ref. 2.5.2) and are as follows:

- How do you develop strategies? What process do you go through?
- At what level of an organisation should strategies be developed and by whom?
- What level of knowledge should the person developing the strategies have of the market they are working in?
- Can strategies be developed effectively from formal analysis and planning? What role does formal analysis and planning have in strategy formulation?
- Do you see strategies arising from intuition and intimate business knowledge?
- Do vision and drive have any place in developing strategies?
- Does leadership play any role in the development of strategies? If so what role?
- Is the reward system in a company of any relevance to the development of strategies?
- When you think about developing strategies, do you think about identifying core competencies or achieving competitive advantage? What do you think about?
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➢ How does a head office develop strategies for its subsidiary companies?
➢ In the perfect world what do you see as the conditions you want in your company to enable successful strategies to be developed?
➢ Is strategy dynamic or is it best controlled at annual planning meetings?
➢ Does your company maintain formal intelligence gathering activities? If yes, please describe. If no how do you gather information on your competitors, environment etc, so as to make decisions?

Prior to commenting on the results of the interviews, it is beneficial to consider some of the characteristics of the persons interviewed and the course that the interviews took:
➢ Each of the persons interviewed is self-made who have created and built their own substantial businesses.
➢ There was only one woman amongst the 21 persons interviewed. Women represented < 5% of the population identified for interview.
➢ Each person interviewed is quite dominant within his or her own way and in his or her respective business style.
➢ However, although each had quite different business styles, there existed common themes that flowed through each one of their approaches to business.
➢ At the conclusion of the interviews saturation had been reached in that there did not seem to be any new concepts arising and the interviews were merely yielding the same content expressed slightly differently.

The reporting of the results of the interviews has been undertaken in two parts. Firstly, the comments of the interviewees have been consolidated together and reported under headings that appear consistent with what was said. Secondly, each of the questions set in the interview guide has been considered and the responses of the interviews summarised under each of these questions.
4.4 Interview Results – By Topic Heading

Each of the persons interviewed addressed their comments under headings that may be labeled as follows:

4.4.1 Senior Management

➢ Employ only the best people in key positions. Select them very carefully. If they are the best, you will probably have to go and find them, they won’t come to you.
➢ Know your senior management very well.
➢ Empower them by telling them everything and ensuring they know what is expected of them. Provide them with feedback.
➢ Pay them well today and also provide something in the future for them to aim for. Incentive is very important.
➢ All senior management must be hands-on and involved; this is part of selecting them carefully.
➢ Leave senior management alone to do their job.
➢ Trust, integrity and loyalty must exist.
➢ Senior management must take the business as theirs.
➢ Must be right, good people, spend a lot of time in selection, grooming and career path.
➢ All senior directors are also marketers
➢ You cannot run a business unless you know it. A board of directors cannot decide what is best for a business unless they work in the business.
➢ Management must be no.1 – the best people
➢ Very actively involved management team
➢ New blood must be introduced to keep juices and energy in the business
➢ Senior management have become mercenaries with a single focus on money for today.

4.4.2 Focus within the business

➢ The strength in your business is proportionate to the degree of focus.
➢ Clearly understand what your business is and stick to it.
Core products/services and a quality team is the aim.

Focus on your customers and meeting their needs. Your customers will provide you with the growth and opportunities you need and seek.

Ensure all your employees are also focussed on the business and the customers.

What your business should focus on will come from experience.

Perceive, innovate and be different

We always think of our customers in everything we do.

Focus on breaking paradigms, focus on being creative

4.4.3 Knowledge/Intelligence

Be as close to the coal face as possible.

Must be hands on and know the business intimately.

Knowledge comes from research, experience and contacts. All three are necessary.

Formal analysis and planning serves little purpose except communication and control in large businesses.

Current and ongoing intelligence is essential to keep close to the business.

We spend a lot of time with our people, show them in what areas they need to improve and show them how others are doing it.

Education does not make a difference in the ability of someone to perform. It is the people themselves.

Build strategic alliances and learn from them.

Build around the fringes, must always try new things but not too far from what you know.

There are things that senior management would never think of, ideas from lower staff are critical.

Create a knowledge exchange free of bureaucracy

4.4.4 Leadership

Leaders set the culture of the business. The correct culture of focus, service, quality, drive, motivation etc. are essential.

Faults to be watched are pride, lack of courage, 'distant from the business'.

Strong but open minded, confident, outlook to the future, must make the future attractive and enticing, something company can be proud of.

Open minded that everyone owns strategy that is taking them forward.

We know how to give orders and get things done.

Gut instinct balanced against good advice to determine direction.

Leadership makes it all happen.

There is no leadership in companies today; there is no building for the long-term future.

Read, listen and draw from a lot of people

4.4.5 Culture

Customer focus

Flexibility, quickness to act, innovation, aggressiveness

Best solution, best product, best service

Character and values important, critical to putting correct team together, money cannot replace values.

Get employees to become your partners by giving them ownership at all levels.

Give a company a soul, need to do some good things, from senior management down to cleaner

We created the company to do something worthwhile, to help other people

Siege mentality – must maintain drive cannot afford to lower your guard.

If you think you’re successful, tomorrow you won’t be.

Culture of creativity, drive and motivation

Today’s companies have a total neglect for employees and this will be their downfall.

Introduce a culture of constantly striving to do better, never be complacent.

A culture of WE where everyone contributes together

4.4.6 Strategy

Achieve the above and strategies will flow. No need to go away and plan for them they will be staring you in the face.
Creating strategies is not difficult. Implementing strategies and keeping focus are difficult.

The plan (final goal) never changes, the strategies (next 3 months) change often, the tactics change continuously.

Innovative strategy to pursue vision

Not simply compromise for compromise sake, strong leadership important so that good ideas not compromised

No business lasts forever, you must recognise when its over and move on

We have developed a set of core competencies that form the basis of our direction.

4.4.7 Vision

Putting a beacon on a hill and make sure no one can lose sight of it, no one in the valley.

4.4.8 Organisation

Flexible, open minded, nimble

A very flat structure with a focus on giving our customers value.

I have not really seen any business that really uses their staff well. They are a huge resource, why limit yourself to your own ideas.

If you overlay a business you will only crush the sense of achievement employees may gain.

Do not have too many employees, this will result in reduced productivity.

Employees must have a really well defined sense of contribution.

4.4.9 Rewards

Financial, career and job incentives, correct balance for each individual

Reward senior people very well

4.5 Interview Results - Matching to Key Criteria

Relating the responses obtained during the interviews to the key criteria identified through the review of literature in chapter 2, (ref. 2.5.2), the following summations may be made with the interviewee responses in italic:
How do you develop strategies? What process do you go through?

Strategies are not developed through a formal planning process, rather if you live your business it will become apparent to you what strategies you should follow. Strategy is not a dead thing you pick up, analyse, decide upon and put down again. Your mind always works on it.

Researching and understanding your market, customers and competitors is very important. This understanding can be partially obtained through a formal research and study of the issues. However, complete understanding can only arise through practical experience. By practical experience, you grow up in your business and learn with it. In this manner you grow with your customers and your knowledge and understanding becomes very intimate. As you build your knowledge you also build your intelligence network and your sixth sense.

The importance of formal study should not be dismissed. It is important to thoroughly analyse issues, however, analysis from a base of intimate understanding is far more powerful than analysis without any understanding.

With an intimate understanding the direction you should move in and the opportunities which are available become apparent.

Strategies are developed from continuously considering what your business is doing.

We have developed a set of core competencies that form the basis of our direction. We stay with what we know and diversify geographically not by industry. We build around the fringes. We always try new things but not too far from what we know.
A combination of gut instinct balanced against good advice will determine the direction to take.

Remaining close to the market, consulting heavily with the customer and everyone always focusing on the customer will provide strategies.

➢ At what level of an organisation should strategies be developed and by whom?

Senior management should develop strategy as it is their role to lead and direct. However, all employees of the company should be encouraged to feel the company is theirs and to contribute what they can. But be careful not to let people lose focus on their task at hand.

For management to fulfil their strategy role they must be hands on and know the business. This task cannot be done if you are distant from the business or by looking at reports or speaking to lower management.

Strategies come from the top, however, they must always keep an open mind and be prepared to change.

➢ What level of knowledge should the person developing the strategies have of the market they are working in?

The knowledge must be intimate. They must know the business better than anyone else. Knowing strengths, weaknesses and all these things is a given.

Good intelligence on the market, competitors, customers, innovations, trends etc. are all part of knowing the business. If you do not have a handle of these issues you are not yet in the race.

➢ Can strategies be developed effectively from formal analysis and planning? What role does formal analysis and planning have in strategy formulation?

Formal analysis and planning are important in providing you with information in some circumstances and helping clarify thoughts in others.
However, it is only one source of information and will not provide you with the level of knowledge you need to have to formulate strategies. Market knowledge through experience cannot be fully replaced by analysis no matter how comprehensive it is.

➢ Do you see strategies arising from intuition and intimate business knowledge?

The choice of any strategy involves risk in that there are always unknown elements and in that sense intuition becomes important. Possibly better expressed as judgement based upon relevant experience. Certainly intimate business knowledge is essential. Quite often opportunities and solutions to issues come to you at odd times. This is just your subconscious continuing to process issues while your conscious mind is working on something else. If you are intimately involved in a business this is one place where opportunities/strategies will simply seem to fall from. The other is the contacts with other persons/organisations; again opportunities/strategies will evolve from the interaction which you have with them.

However, be sure that you don’t let your intimate knowledge block your mind to options and opportunities. You don’t want your strength (your knowledge) to become your weakness.

➢ Do vision and drive have any place in developing strategies?

Vision and drive are critical but possibly better expressed as commitment, direction and motivation. Vision is a term which too often is associated with far fetched concepts, something in dream world; rather what is needed is a clear direction as to where you want your business to be in 10, 20 years etc.. One could say a concept or image of what your business will be like. This ‘vision’ provides direction and therefore a point of focus for everyone or something to strive for. It is like orienteering. You know where you are going, you plot what you consider the most effective course from the data you have to hand and you start off striving to reach your end point. The
course you set will change as you proceed, however, the goal you set will not. That is vision.

In a business makes sure everyone knows and shares the vision and that never loose sight of it.

Drive is motivation. No one doubts the power of an individual’s commitment and motivation. If they want it hard enough they will get it. Such commitment and motivation cultured into an organisation is powerful. However, it is difficult to achieve and must start from and be continually exhibited by the leaders of an organisation. It is commonly found in organisations created by a committed individual as many businesses in post world war 2 era were.

➢ Does leadership play any role in the development of strategies? If so what role?

Absolutely, it is the responsibility of senior management to develop strategies for an organisation.

In addition, leadership is responsible for setting the culture of an organisation and providing direction and focus. Without these elements the question would be strategies about what and for what purpose?

➢ Is the reward system in a company of any relevance to the development of strategies?

A reward system for senior management is essential to ensure they strive to achieve goals. Without the appropriate goals senior management would lack the interest to put the effort and motivation into forming strategies.

The rewards must be structured to provide them something now and something in the future. The rewards must also be structured so as to direct results not inconsistent with shareholder/organisational goals.
When you think about developing strategies do you think about identifying core competencies, achieving competitive advantage. What do you think about?

Only one of the persons interviewed spoke of or talked in terms of core competencies, competitive advantage etc.. However, they did speak in terms of:

- a very strong customer focus
- giving the customer what they want
- sticking strictly to what you know
- identifying core products/services in which the company has the ability to compete in effectively
- ensuring the team is capable of delivering the product
- flexibility

The focus was sharply on the customer and developing the business in such a way that will fulfil their needs today and in the future.

How does a head office develop strategies for its subsidiary companies?

Head offices actively develop strategies for all segments of each group, however, the condition is that the senior management developing the strategies was hands on and intimately understood the business. It was not a situation of developing strategies from analysis or the reports of others.

In the perfect world what do you see as the conditions you want in your company to enable successful strategies to be developed?

The conditions which were repeated continuously at the various interviews are those listed in ref. (4.4) above and described in more detail in that section, however, they may be summarised as follows:

- the best senior management team who are committed to and know the business well
- strong focus on the customer and the business
- intimate knowledge of the business, customers, market
- good intelligence
strong leadership
the right culture
a recognition of the importance of employees and their participation in
the company

Is strategy dynamic or is it best controlled at annual planning meetings?
Strategy is dynamic and changes continuously. The long-term goals do not
change, that is your vision, however, how you will get there will and must
change continuously.

Does your company maintain formal intelligence gathering activities. If yes, please
describe. If no how do you gather information on your competitors, environment
etc, so as to make decisions?
All persons interviewed commented on the critical importance of intelligence
on customers, competitors, the market etc. , however, none had what you
would consider formal intelligence gathering activities in place. Rather,
they relied upon the informal network of contacts they had established as
they had grown up in their business and their ongoing activities in
developing their businesses through seeking new opportunities.

One interviewee spoke of building a knowledge-sharing network, free of
bureaucracy, within their company to enhance creativity.

4.6 General Observation on Interview Results
The most notable point that arose during the course of the interviews is most readily
described as the language used. This was evident form the first to the last interview
and consistent throughout all interviews.
Language used refers not only the words and phrases prevalent during the interviews but more importantly to the focus of energies, what was considered not just important but critical.

The interviewees did not speak in terms of positioning, process, competitive advantage or any of these terms. To them strategy is something that almost fell in place once everything else was right. Get the correct management team who know the business, reward them well, ensure they are focused on the customer and everything will flow from there; what to do will become apparent. In fact the most difficult part seemed to be getting the right management team who had the correct personal traits and who are competent.

The urgencies spoke of by the interviewees can be more readily related to the work of Peters & Waterman, *In Search of Excellence* (Peters and Waterman 1982), than the theories advanced by Andrews, Ansoff, Porter and others as reviewed in chapter 2.

In considering why the language used varied so from that which the review of literature revealed, it can be argued that what Andrews and others have attempted to do is to distill the practices of businesspersons into a logical digest. The task of regimenting the way in which the businessperson (such as those interviewed) acts, into a discipline capable of being taught and understood is not an easy one. However, the mind set, the language and approach to the issue of competitiveness expressed by those interviewed are not consistent with the manner in which Andrews and others have presented their concepts. The core approach of those interviewed, what they consider important as reflected by their comments noted above, are not consistent with the issues of importance noted in the literature, possibly with the partial exception of the work of Peters & Waterman.

There are critical subtleties that have been lost in the writings of many authors in the field of strategic management theory. This can be most easily represented by comparing the work of Peters & Waterman to that of the other authors noted in the review of literature. Their language and approach are very different.
If, however, we relate the responses provided in the interviews to a broader background of strategy a more apparent pattern does take form. It is this more apparent pattern that will be considered in Part Four of this thesis.

4.7 Conclusion

The aim of this chapter was to provide particulars of the results of the qualitative research stage (the interviews) and to relate the results of these interviews against the key criteria established from the literature review in chapter 2.

The purpose of the qualitative research conducted and reported herein was to clarify and enunciate the applicability of the key criteria established through the literature review (ref. 2.5.2) to the population of this research.

Although the qualitative research highlighted what is considered a varying approach to strategic management than reflected in the literature (ref. 4.6), the language used therein is neither foreign nor inconsistent to the extent that the key criteria established (ref. 2.5.2) could not be used as a basis of examination. Rather, it may be used as a foundation and expanded upon with the influence of the interviews to form a representative framework in which to examine the practices of experienced Australian businesspersons.

Accordingly, as described in the research methodology (ref. 3.3.2.6), the following principles are developed pursuant to the conduct of the qualitative research.

4.8 Principles Developed

The research question asked in this part of the thesis is (ref. 3.2.2):

Are the strategic management practices of experienced Australian businesspersons comparable to internationally recognised strategic management concepts?
The central hypothesis of this part of the research is therefore:
(H₀) The strategic management practices of experienced Australian businesspersons
are comparable to internationally recognised strategic management concepts.

In testing the central hypotheses a series of principles were developed. These
principles were drawn from the key criteria established from the literature review in
chapter 2 and enunciated through the qualitative research described above. If it is
found that these principles are evidenced in the practices of experienced Australian
businesspersons, then the central hypothesis will be supported.

The principles that have been established, as noted above, are listed below. These
principles are grouped under five headings.

A. How Do You Decide What Action to Take?

Strategies are better determined:

➢ (P₁) by a SWOT analysis
➢ (P₂) by their estimated ROI
➢ (P₃) by their level of political support
➢ (P₄) by my market knowledge

(P₅) It is very important that political support be built before an idea is formally
introduced.

(P₆) Personal desires, aspirations and needs of senior management is very influential
in the selection of strategy.

(P₇) The idea first introduced is often different to the idea that is eventually successful.
B. What Purpose Do Strategies Fulfil?

(P8) Clearly defined strategies are very important to a business’s competitiveness.

Competitive strategies should only be reconsidered:

➤ (P9) when your competitors do something
➤ (P10) as a continuous ongoing process
➤ (P11) when something changes in the market
➤ (P12) as part of an annual cycle

C. Who Are the Best People to Decide What Should be Done?

Very effective competitive strategies should be developed by:

➤ (P13) the managing director and board
➤ (P14) the various divisional managers
➤ (P15) the various line managers
➤ (P16) the employees
➤ (P17) all of the above working together

Very effective competitive strategies should be developed by persons whose knowledge is:

➤ (P18) first hand and intimate
➤ (P19) based upon an understanding obtained from independent formal analysis
➤ (P20) based upon a good general business skill
➤ (P21) based upon an understanding from discussions from management

(P22) Very effective competitive strategies should be formulated by senior management and implemented by lower management.

(P23) Management career development programmes are very effective in assisting in the creation of competitive strategies.
(P24) A tiered down process of strategy formulation is very effective in the creation of competitive strategies.

D. When Considering What To Do, Is There a Particular Base You Always Come Back To?

The basis for selecting competitive strategies should always be:

- (P25) to stick to what you know
- (P26) to build upon core competencies
- (P27) to create sustainable competitive advantage
- (P28) to draw upon your resources and capabilities
- (P29) related to the portfolio management of the corporation

E. Are There Certain Traits/Attributes Which Make a Business More Competitive?

It is very important to effective competitiveness to:

- (P30) Create drive and motivation to achieve to a level of almost obsession
- (P31) Establish learning capabilities as a competitive advantage
- (P32) Identify core competencies and build the business upon these capabilities
- (P33) Leverage existing resources beyond their capacity as a means of excelling
- (P34) Establish vision in setting the future course of the business
- (P35) Build strong leadership providing direction and focus for the company
- (P36) Create flexibility so as to pursue new opportunities as recognised
- (P37) Maintain a reward system that encourages innovation at all levels of a company
- (P38) Ensure organisational design is a function of the chosen strategy
- (P39) Understand industry paradigms and have a willingness to challenge these paradigms
- (P40) Be proactive and not reactive
- (P41) Focus on the customer
- (P42) Permit divisions autonomy and the opportunity to develop entrepreneurial skills
➢ (P₄₃) Recognise the importance of employees
➢ (P₄₄) Have a clear understanding of what business you are in and sticking to it
➢ (P₄₅) Create minimum bureaucracy
➢ (P₄₆) Create a system where employees may pursue innovations they may recognise
➢ (P₄₇) Maintain positioning within an industry based upon the competitive forces at work
➢ (P₄₈) Gain accurate intelligence on competitors, customers and industry
➢ (P₄₉) Sustain overall cost leadership, or differentiation, or focus
➢ (P₅₀) Create the correct culture within a company
Chapter 5: Quantitative Research – Surveys

5.1 Introduction

The aim of this chapter is to provide an outline of the process and results obtained through the quantitative research stage (survey questionnaire) as described in chapter 3: research design & method.

The purpose of undertaking this stage of the research was to obtain quantitative data that reflects the strategic management practices of experienced Australian businesspersons. This data can then be analysed and combined with the qualitative research so as to paint a succinct picture of these practices.

The chapter commences with a review of the process of and problems encountered in the undertaking of the survey. It then proceeds to review the demographic profile of those persons who responded to the survey so as to determine whether any sample bias exists and to provide a description of an experienced Australian businessperson as representative of the survey respondents.

The chapter concludes by reviewing the results of exploratory statistical tests conducted on the quantitative data obtained from the survey to determine its consistency and integrity as a group of data. These tests include the Mann-Whitney test of group differences and the Kruskal-Wallis test of variance analysis.

The next chapter, chapter 6, considers the relationship between Western theory and practice.
5.2 Sample Frame Selection

Sampling frames of 335 persons in Victoria and 567 persons in New South Wales were selected by random sample from populations of approximately 2600 and 5500 persons respectively. These random samples were selected on the basis of every 8\textsuperscript{th} and 15\textsuperscript{th} person respectively in the population as described more fully in chapter 3: research design & method.

These sample frames were the targets of the questionnaire surveys designed to collect quantitative data.

5.3 Pre-Test Results

A sample of 10\% of the Victorian sampling-frame was selected for pre-testing of the questionnaires. The 10\% sample was chosen on a random basis selecting every 10\textsuperscript{th} person in the sampling frame.

The purpose of the pre-test was to determine the suitability of the questionnaire by reference to response rate, user friendliness and analysis of responses.

The questionnaire used in the pre-test is exhibited in Appendix 5. The population from which the original sampling frame was drawn in this pre-test was the 1995 edition of Who's Who in Business in Australia (Australia 1997 & 2000), not the 1997 edition as used in the final research for the Victorian sample.

The results of the pre-test were not satisfactory with only a 6\% response rate to the questionnaire circulated.

As a result of this poor response rate, the pre-test was followed through with telephone interviews with approximately 20\% of those persons who were selected for pre-testing. The purpose of the follow-up calls was to determine why the response was low.
In summation, the following observations were made from the telephone follow-ups:

- Firstly, that the 1995 edition of *Who's Who in Business in Australia* was well out dated and the percentage of incorrect addresses, no longer at company etc. present within the list at the time of the survey was approximately 70%, and

- Secondly, that the design of the survey questionnaire form was not user friendly with respondents indicating that they understood its contents but it simply took too long to read and complete.

In response to the results of the pre-test and the telephone follow-ups, the following corrective action was taken:

- the population for the Victorian survey was changed and a new database, being the most current available from the publisher, comprising the 1997 edition data was created.

- the New South Wales survey was undertaken within two weeks of the 2000 edition becoming available.

- the survey form was redesigned to make its completion more user friendly. The redesigned questionnaire is exhibited at Appendix 6.

At the time of the sample frame for the Victorian population being drawn (October 1997), the 1997 edition was some ten months out of date. New editions are released generally January of each year. The *return to sender* (incorrect address) rate was 16% for Victoria, however, the rate for New South Wales was also 16%. The New South Wales sample frame was drawn within days of the 2000 edition being released. Accordingly, the rate of 16% for *return to sender* would appear to be constant and the minimal rate within the yearly editions.
5.4 Survey Response

The following response results were achieved for each of the surveys:

➢ **Victoria:** A net response rate of 32.7% was received to the survey with 92 respondents completing and returning the survey form. Survey forms returned addressee unknown represented 16% of the sampling frame.

➢ **New South Wales:** A net response rate of 10.9% was received to the survey with 36 respondents completing and returning the survey form. Survey forms returned addressee unknown represented 16% of the sampling frame. However, due to the low response rate a replacement sample was drawn for the 16% returned. These were re-mailed, lowering the returned rate to 6%.

➢ **Overall:** The overall response rate was 20.9% with 128 respondents completing and returning their forms.

Given the varying response rates between Victoria and New South Wales, it was decided to compare the results for each of the groups to determine if there were any significant differences in such results. Mann-Whitney statistical tests were run as detailed at ref. (5.7.1) and reflected that no statistically significant variances existed in the responses from each group.

Accordingly, even though a response rate of only 10.9% was gained from the New South Wales sample frame, it provided a description of strategic management practices that was consistent with that obtained from the Victorian sample frame. It is therefore considered reasonable to accept the 10.9% response rate and combine it with the Victorian results to provide an overall description of practices for experienced Australian businesspersons as defined in this thesis.

It should also be noted that a telephone follow up enquiry was undertaken with a judgement sample of the New South Wales sample frame to determine why the response rate varied significantly between the Victoria and New South Wales groups.
The responses gained indicated that the researcher’s university was not well known outside its home state and therefore the requests for survey responses did not receive as good a hearing as it did in its home state.

The restriction of the definition of experienced Australian businessperson to those persons resident in Victoria and New South Wales arose from the belief that undertaking surveys in others states would yield unacceptable response rates and add little to the description of practices. This was a direct result of the New South Wales survey outcome. It was therefore decided not to seek to expand the population outside the two existing states.

It was also believed that this geographical restriction of the definition did not inhibit the quality of the data obtained as to strategic management practices of experienced Australian businesspersons. Currently resident within Victoria and New South Wales is 83% of Australia’s Top 100 companies and 77% of Australia’s Rich 200 members, with both percentages having declined over the past ten years (Shann 2000). Accordingly, the majority of the target population resides in the states selected.

Appendix 7 contains a summary of the descriptive statistical analysis of the quantitative data.

5.5 Survey Respondents’ Demographics

This research is directed at experienced Australian businesspersons and seeks to understand their approach to strategic management. Accordingly, if the aim of this research is to be satisfied it is important that a profile be available of the persons who responded to the survey.

The survey form asked respondents to provide demographic data indicative of their management experience. They were asked to indicate the:

- average size of the companies in which they had gained their experience (by way of sales and number of employees),
Strategic Management Theory, Practice & Classical Chinese Military Strategy

Practices: Quantitative Research - Surveys

➢ industry in which they received most of their experience,
➢ level of the highest academic qualification obtained,
➢ current position, and
➢ management style of the companies in which they have worked.

These demographic details were sought not only so as to be able to build a profile of the typical respondent (to see if they are experienced Australian businesspersons), but also to determine whether factors such as size, industry, academic qualification or management style affect the strategic management practices of the businessperson.

It should also be re-emphasised that the aim of the analysis of the quantitative data including the demographic data is to enable the practices to be described only.

The demographic data provided by the respondents is summarised on the following pages:

Continued over page
5.5.1 Average Annual Sales

The respondents indicated the average size of the companies in which they had gained their experience by average sales per annum was:

Figure 5-1 – Demographics: Average Annual Sales

Table 5-1 – Demographics: Average Annual Sales

<table>
<thead>
<tr>
<th>Annual Sales</th>
<th>No. of Respondents</th>
<th>Individual Percentage</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $5 million</td>
<td>5.1</td>
<td></td>
<td>5.1</td>
</tr>
<tr>
<td>&lt; $10 million</td>
<td>6.8</td>
<td></td>
<td>12.0</td>
</tr>
<tr>
<td>&lt; $20 million</td>
<td>15.4</td>
<td></td>
<td>27.4</td>
</tr>
<tr>
<td>&lt; $50 million</td>
<td>16.2</td>
<td></td>
<td>43.6</td>
</tr>
<tr>
<td>&lt; $100 million</td>
<td>9.4</td>
<td></td>
<td>53.0</td>
</tr>
<tr>
<td>&lt; $500 million</td>
<td>23.1</td>
<td></td>
<td>76.1</td>
</tr>
<tr>
<td>&lt; $1,000 million</td>
<td>7.7</td>
<td></td>
<td>83.8</td>
</tr>
<tr>
<td>&lt; $2,500 million</td>
<td>6.8</td>
<td></td>
<td>90.6</td>
</tr>
<tr>
<td>&lt; $5,000 million</td>
<td>3.4</td>
<td></td>
<td>94.0</td>
</tr>
<tr>
<td>&lt; $7,500 million</td>
<td>1.7</td>
<td></td>
<td>95.7</td>
</tr>
<tr>
<td>&lt; $10,000 million</td>
<td>1.7</td>
<td></td>
<td>97.4</td>
</tr>
<tr>
<td>&gt; $10,000 million</td>
<td>2.6</td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>
5.5.2 Average Number of Employees

The respondents indicated the average size of the companies in which they had gained their experience by average number of employees was:

Figure 5-2 - Demographics: Average Number of Employees

Table 5-2 - Demographics: Average Number of Employees

<table>
<thead>
<tr>
<th>No. of Employees</th>
<th>No. of Respondents</th>
<th>Individual Percentage</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 250 employees</td>
<td>42.3</td>
<td></td>
<td>42.3</td>
</tr>
<tr>
<td>&lt; 500</td>
<td>13.0</td>
<td></td>
<td>55.3</td>
</tr>
<tr>
<td>&lt; 1,000</td>
<td>11.4</td>
<td></td>
<td>66.7</td>
</tr>
<tr>
<td>&lt; 1,500</td>
<td>8.9</td>
<td></td>
<td>75.6</td>
</tr>
<tr>
<td>&lt; 2,000</td>
<td>2.4</td>
<td></td>
<td>78.0</td>
</tr>
<tr>
<td>&lt; 2,500</td>
<td>2.4</td>
<td></td>
<td>80.5</td>
</tr>
<tr>
<td>&lt; 5,000</td>
<td>7.3</td>
<td></td>
<td>87.8</td>
</tr>
<tr>
<td>&lt; 7,500</td>
<td>2.4</td>
<td></td>
<td>90.2</td>
</tr>
<tr>
<td>&lt; 10,000</td>
<td>0.8</td>
<td></td>
<td>91.1</td>
</tr>
<tr>
<td>&gt; 10,000</td>
<td>8.9</td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>
5.5.3 Highest Academic Qualification

The respondents indicated the highest academic qualification held was:

**Figure 5-3 - Demographics: Highest Educational Qualification**

![Bar chart showing the distribution of highest academic qualifications among respondents.]

**Highest Academic Qualification**

<table>
<thead>
<tr>
<th>Qualification</th>
<th>No. of Respondents</th>
<th>Individual Percentage</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary school</td>
<td>11.0</td>
<td>11.0</td>
<td></td>
</tr>
<tr>
<td>Trade qualification</td>
<td>6.3</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Diploma</td>
<td>8.7</td>
<td>26.0</td>
<td></td>
</tr>
<tr>
<td>Degree</td>
<td>30.7</td>
<td>56.7</td>
<td></td>
</tr>
<tr>
<td>Post graduate diploma</td>
<td>9.4</td>
<td>66.1</td>
<td></td>
</tr>
<tr>
<td>Masters</td>
<td>28.3</td>
<td>94.5</td>
<td></td>
</tr>
<tr>
<td>Doctorate</td>
<td>5.5</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>
5.5.4 Industry in Which Gained Most Experience
The respondents indicated that the industry in which they gained most of their experience was:

Figure 5-4 - Demographics: Industry in which Gained Most Experience

Table 5-4 - Demographics: Industry in which Gained Most Experience

<table>
<thead>
<tr>
<th>Industry</th>
<th>No. of Respondents – Individual Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking &amp; Finance</td>
<td>12.9</td>
</tr>
<tr>
<td>Chemical, Rubber &amp; Plastics</td>
<td>3.2</td>
</tr>
<tr>
<td>Communication &amp; Information</td>
<td>12.1</td>
</tr>
<tr>
<td>Construction</td>
<td>4.8</td>
</tr>
<tr>
<td>Diversified*</td>
<td>.8</td>
</tr>
<tr>
<td>Electricity &amp; Gas*</td>
<td>2.4</td>
</tr>
<tr>
<td>Food, Beverage &amp; Tobacco</td>
<td>12.1</td>
</tr>
<tr>
<td>Government*</td>
<td>.8</td>
</tr>
<tr>
<td>Manufacturing*</td>
<td>8.9</td>
</tr>
<tr>
<td>Mining, Oil &amp; Gas</td>
<td>11.3</td>
</tr>
<tr>
<td>Paper, Printing &amp; Publishing</td>
<td>5.6</td>
</tr>
<tr>
<td>Pharmaceutical*</td>
<td>.8</td>
</tr>
<tr>
<td>Professional services*</td>
<td>6.5</td>
</tr>
<tr>
<td>Property*</td>
<td>.8</td>
</tr>
<tr>
<td>Retailers</td>
<td>8.9</td>
</tr>
<tr>
<td>Transport Services</td>
<td>8.1</td>
</tr>
</tbody>
</table>

note: * indicates category added by respondents
5.5.5 Current position

The respondents indicated that they held the following positions:

Figure 5-5 - Demographics: Current Position

Table 5-5 - Demographics: Current Position

<table>
<thead>
<tr>
<th>Position Held</th>
<th>No. of Respondents – Individual Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing Director/CEO</td>
<td>54.3</td>
</tr>
<tr>
<td>Divisional Manager/Director/Partner</td>
<td>31.5</td>
</tr>
<tr>
<td>General Manager</td>
<td>11.0</td>
</tr>
<tr>
<td>Consultants &amp; Other</td>
<td>3.2</td>
</tr>
</tbody>
</table>
5.5.6 Management Style of Companies

Respondents were asked to describe the management style of the companies in which they had worked on a scale of 10 to 1 being Entrepreneurial to Bureaucratic. The respondents indicated:

Figure 5-6 - Demographics: Management Style

Table 5-6 - Demographics: Management Style

<table>
<thead>
<tr>
<th>Management Style</th>
<th>No. of Respondents – Individual Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 - Entrepreneurial</td>
<td>5.7</td>
</tr>
<tr>
<td>9</td>
<td>14.8</td>
</tr>
<tr>
<td>8</td>
<td>24.6</td>
</tr>
<tr>
<td>7</td>
<td>30.3</td>
</tr>
<tr>
<td>6</td>
<td>10.7</td>
</tr>
<tr>
<td>5</td>
<td>7.4</td>
</tr>
<tr>
<td>4</td>
<td>1.6</td>
</tr>
<tr>
<td>3</td>
<td>3.3</td>
</tr>
<tr>
<td>2</td>
<td>1.6</td>
</tr>
<tr>
<td>1 - Bureaucratic</td>
<td>0</td>
</tr>
</tbody>
</table>
5.5.7 Building a Profile of the Respondents

From an analysis of the demographic data provided by respondents, the following profile may be build of the average respondent:

A person currently holding the position of managing director or similar who has a graduate qualification, gained their management experience within companies whose turnover is less than $100 million per annum, employing less than 1,000 employees and which they would consider tends towards being entrepreneurial in its management style. No one industry was dominant amongst the respondents with the highest industry representation accounting for only 12.9% of the total.

The following additional observations can also be made on the demographics of the respondents:

➢ there appears to be no sample bias evident from the analysis of the respondents’ demographic data in that:
  ➢ there is no dominant respondent segment evident from considering the size of company in which respondents received most of their experience expressed by annual sales, employee numbers and industry category.
  ➢ the spread of respondents over the categories of annual average sales, number of employees and industry type appears to be very even within itself.

➢ 74% of respondents indicated that they held a degree or higher academic qualification with 33.9% stating that they held a Master degree or higher.

➢ 96.2% of respondents held management positions of a level which would make them responsible, in the normal course of events, for strategic management issues within their present companies.

➢ 75.6% of respondents consider the management style of the companies in which they gain their experience to tend towards being entrepreneurial with 45.1% being described as very to highly entrepreneurial.
Accordingly, it is considered that the respondents to the survey are representative of experienced Australian businesspersons as defined.

5.6 Testing of Principles

The process of testing the principles developed at ref. (4.8) may be described as follows:

➢ the review of contemporary Western strategic management theory identified the key concepts evident in the development of the theory and built a lists of key criteria therefrom,

➢ the interviews with experienced Australian businesspersons sought to expand and enunciate these key criteria and developed a series of 50 principles that represented a macro perspective of theory blended with practices noted from the interviews,

➢ the survey questionnaire forms sought to gain quantitative data that when analysed would reflect the practices of experienced Australian businesspersons drawn along the lines of the 50 principles.

The issue of testing the principles then becomes one of deciding upon what basis will it be determined that the quantitative data supports that a principle exists in practice.

Accordingly, to test these principles it is necessary to develop decision criteria against which the quantitative data may be compared. The issue becomes:

➢ how do you determine whether a particular principle is in fact adopted in practice?, and

➢ what level of response do you consider adequate to say a principle is adopted in practice?

This is a judgment decision that should simply be made on the basis of what the reasonable man would accept. It is believed that a reasonable man would believe a principle supported if more than 50% of respondents stated they adopted that principle in practice.
Accordingly, the following decision criterion is set for the purposes of this research. A principle will be considered supported (that is, it will be accepted that the principle is used in practice), if the quantitative data for the question that tested that principle has a:

- Median of not less than 2 (that is, more than 50% of respondents rank a concept as very or fairly important), or
- A cumulative percentage of 75% or greater at level 3 on a scale of 5 (that is, more than 75% of respondents ranked it 3 or higher on a scale of 5 where 1 is highest), or
- A ranking of first, based upon sum, out of the various choices available.

The outcome of applying the decision criterion to the analysed quantitative data is detailed in Appendix 8.

5.7 Stratification of Respondents

5.7.1 Object and Method

So as to form an opinion on the consistency of the responses provided within the survey and also as a measure of integrity and validity, a stratification of the respondents’ data along demographic lines was conducted.

Two non-parametric tests were undertaken:

- Mann-Whitney test of group differences being a non-parametric test that compares the two sample means to determine if there is a statistically significant difference between the two population means (alternative to t-test for two independent samples). The null hypothesis is that population 1 equals population 2. The degree of significance was set at 5% with the test being run for all of the 50 principles tested in the survey form. The data was divided and compared along State lines (Victoria and New South Wales) representing 100 tests.
The purpose of the Mann-Whitney test was to determine if the data obtained from respondents resident in Victoria and New South Wales was not significantly dissimilar and therefore could be considered as one set of data.

- Kruskal-Wallis test being a non-parametric test to determine if different populations (3 or more) have the same distribution shape and dispersion (alternative to variance analysis). The null hypothesis is that population 1 equals population 2 equals population 3 and so on (ref. 7.2 for hypothesis wording). The degree of significance was set at 5% with the test being run for all of the 50 principles tested in the survey form across all demographic lines, namely:
  - Average annual sales (12 categories)
  - Average number of employees (10 categories)
  - Educational level attained (7 categories)
  - Industry in which most experienced was achieved (16 categories)
  - Current position held (7 categories)
  - Management style (10 categories)

The application of the tests noted represents a comparison of the responses received for the 50 principles examined over 6 demographic lines being 300 tests.

The purpose of applying the Kruskal-Wallis test was to examine and compare respondents' data divided into demographic groupings to determine if any grouping provided responses that were significantly different. For example, did education make a difference in the strategic management practices of respondents?

A profile of respondents along demographic lines is provided at ref. (5.5).

5.7.2 Outcome

The application of the Mann-Whitney and Kruskal-Wallis tests to the data revealed a high level of consistency within the data across the two geographical groups and across the various six demographic lines.
5.7.2.1 Mann-Whitney Test

The Mann-Whitney test applied across the 50 principles, grouped into the two states, Victoria and New South Wales, revealed no significant variance in the responses. Of the 100 tests performed only 5 recorded an asymptotic significance of less than 5% (Appendix 9 records the results of the tests).

5.7.2.2 Kruskal-Wallis Test

The Kruskal-Wallis test applied across the 50 principles, grouped into populations divided along demographic lines, revealed no significant variance in the responses. Of the 300 tests performed only 13 recorded an asymptotic significance of less than 5% (Appendix 10 records the results of the tests).

5.7.2.3 Conclusion to Exploratory Statistical Testing

The applications of the Mann-Whitney and Kruskal-Wallis tests are exploratory in nature to gain an indication of the consistency within the groups and variables. The outcomes recorded of 5 in 100 and 13 in 300 are not statistically unexpected and therefore, it may be concluded that null hypotheses formed at ref. (5.7.1) are supported. These null hypotheses were that:

➢ The population of Victoria is the same as the population of New South Wales.
➢ All of the individual populations formed by dividing the sample frame along demographic lines are the same.

5.8 Conclusions

The aim of this chapter was to provide an outline of the process and results obtained through the quantitative research stage directed at obtaining data so as to describe the strategic management practices of the target population.
The quantitative research was undertaken with the population (which under the research design is identical to the sampling frame) after a pre-test of the survey questionnaire and relevant corrections to the research method.

The descriptive statistical analysis of demographic data of respondents would appear to indicate that there were no *procedural errors*, as noted below, in the conduct of the research. There was no:

- **Sampling frame error**: being an error arising when certain sample elements are not listed or available and are not represented in the sampling frame (Zikmund 1994, p.365). This error is excluded by definition in the research design,

- **Random sampling error**: being the difference between the sample result and the result of a census conducted by identical procedures, that is the possible effect of the result of only having tested a portion of the sampling frame and not the whole (ibid., p.365),

- **Non-response error**: being the statistical difference between a survey that includes only those who responded and a survey that also includes those who failed to respond (ibid., p.367).

Further the additional exploratory statistical tests (Mann-Whitney and Kruskal-Wallis) undertaken along demographic lines, supported the null hypothesis that the various populations are, at 5% significance, statistically the same.

Accordingly, it may be reported that out of the 50 principles tested against the *decision criteria* established, 42 satisfied that criteria and 8 did not. Therefore, upon the basis of the decision criteria, it is considered that 42 of the concepts reflected by the principles are adopted in practice and 8 are not.
Chapter 6: Review & Discussion of Findings

6.1 Introduction

The aim of this chapter is to permit a forum for the review and discussion of the findings of the research that was directed at unearthing the strategic management practices of experienced Australian businesspersons (the second vertex of the triangulation). Further, while chapter 2: literature review, sought to provide a basic framework that reflected key Western strategic management theory, this chapter seeks to significantly expand the review of such theory.

The review and discussion will follow the format set in the survey questionnaire form and will consider the responses gained from the survey forms against contemporary Western strategic management theory (chapter 2 expanded as noted above) and the interviews conducted with experienced Australian businesspersons (chapter 4). Accordingly, this review and discussion represents a comparison of the first and second vertices of the triangulation established in chapter 1.

The discussion and review is structured under five headings as established at ref. (4.8), each of which represents one central theme of contemporary Western strategic management theory. The headings are:

1. How do you decide what action to take? (6.2.1)
2. What purpose do strategies fulfil? (6.2.2)
3. Who are the best people to decide what should be done? (6.2.3)
4. When considering what to do, is there a particular base you always come back to? (6.2.4)
5. Are there certain traits/attributes that make a business more competitive? (6.2.5)
Each of these headings is in turn dissected into a series of points that comprise the principles that were considered/grouped under each heading. These headings and principles were used in the structure of the survey questionnaire form used in the quantitative research.

The consideration of EACH PRINCIPLE has generally been conducted under three headings as follows:

➢ a) Considering the question submitted to respondents: where the general theory from which the principle has been drawn is discussed.
➢ b) Statistical consideration of respondents’ answers: where the frequency percentage data relevant to the principle is noted in narrative and graphic form.
➢ c) Relating the responses to theory: where a wider review of relevant contemporary Western strategic management theory is made.

The tables and figures provided for each of the principles are an aid to understanding. The tables reflect, as percentages, the respondents’ answers to the relevant question on the survey form generally ranked on a scale of 1 to 5 (with 6 meaning not applicable). Respondents were asked to rank their answers in order of applicability against what they considered to be the correct practice (with 1 being the highest and 5 the lowest). The bar charts (figures) reflect the same data as contained in the tables and are provided for readers who assimilate data more readily when visually represented.

The summation of what practices exist and how they relate to theory is considered under chapter 7: conclusions.

6.2 Discussion of Findings

The following review and discussion is structure under five headings covering fifty principles as noted above.
6.2.1 Heading 1: How do you decide what action to take?

6.2.1 - 1: In deciding what strategies you’ll adopt is there a process/steps, which you normally go through?

6.2.1 - 1a: Considering the question submitted to respondents

The four options listed in the question reflect the approaches of:

(a) Andrews (ref. 2.4): who saw the strategy process as a consciously decided, articulated and rational one where:
   ➢ opportunities and threats, with attributed risk, in the company’s environment are identified,
   ➢ strengths and weaknesses of the company along with its capacity to take advantage of opportunities noted is appraised,
   ➢ the influence of personal values and the aspirations of management is determined, and finally
   ➢ the obligations to stockholders and society is considered,

to produce a coherent, articulated and formulated strategy which could then be communicated to all members of the company and implemented (Andrews 1971).

(b) Ansoff (ref. 2.5): who developed a strategy process drawn upon an structured analytical model of strategy formulation adopting what he termed an adaptive search method. This adaptive search method implemented a cascade procedure so as to successively narrow and refine:
   ➢ decision rules,
   ➢ feedback between stages,
   ➢ gap-reduction within each stage, and
   ➢ the adoption of objectives and starting point evaluation.

Ansoff believed that strategy formulation should be viewed as a scientific problem to be solved accordingly, that is, in a scientific manner removing judgement calls wherever possible. The strategic function to be determined under the process was one of selecting a product-market mix which would optimise a firm’s return on
investment (ROI) achieved either through internal expansion or if necessary external acquisition (Ansoff 1965).

(c) Quinn (ref. 2.8): challenged the models of both Andrews and Ansoff with his approach to the strategy process. His research revealed that, what he termed, the rational-analytical planning models of Andrews and Ansoff were not the source of the strategies arising in the companies that he had examined. He considered that these models were merely control functions. Rather, Quinn identified a process whereby strategy was developed through a continuous, evolving, incremental and possibly highly political process. This process had no precise beginning or end, but could be identified through its evolution. The essentials of this strategy process that Quinn had identified were a subtle balance of vision, entrepreneurship, and politics achieved by a consciously managed process of broad goal setting and logical incrementalism. Expressed in its simplest form, ideas were developed, they were floated amongst senior people, support was built and only then were the strategies pushed ahead with (Quinn 1977).

(d) Qualitative research (ref. chapter 4): the interviews with experienced Australian businesspersons revealed a strategy process that was not formalised and with no apparent formal analysis, but rather was continuous and continuously evolving. It is most readily expressed as a process in which experience and ongoing hands-on contact provided intimate market knowledge, with opportunities being considered continuously as detected and pursued when thought appropriate. Further, the interviews did not reveal the obvious or dominant presence of any of the previous models noted (Andrews, Ansoff nor Quinn). The absence of the Quinn model may possibly be explained by the fact that the persons interviewed were self-made men and women who ran their businesses with a strong grip and therefore the consultative/political processes were not present or evident. As for formal planning, one interviewee commented on the fact that such planning served no purpose except in large companies where it was a means of communication and control, a sentiment also expressed by Quinn in his research.
6.2.1 - 1b: Statistical consideration of respondents’ answers:

The respondents to the survey ranked the various options provided as follows:

- Firstly, the Andrews model with a cumulative percentage at level 3 (1+2+3 on a scale of 1 to 5 – highest to lowest, see table below) of 91.3%. That is, 91.3% of respondents said they would use this method to formulate strategy.
- Secondly, the Interview model with a cumulative percentage at level 3 of 79.4%.
- Thirdly, the Quinn model with a cumulative percentage at level 3 of 70.6%.
- Fourth, the Ansoff model with a cumulative percentage at level 3 of 69.1%.
- Other comments provided by respondents generally related to the manner in which they apply a particular method, none provided a method/model different to those listed.

It must of course be borne in mind when considering these rankings and cumulative percentages, that what they also reflect is that all respondents indicated that they use all models at some time. This is indicated by the fact that no model had a cumulative percentage at level 3 below 50%, the lowest was in fact 69.1%.

**Table 6-1 – The Process of Strategy Making**

| Individual Frequency Responses % | Highest |  |  |  |  |  |  |
|----------------------------------|---------|---|----|---|----|---|
| Process                          | 1       | 2  | 3  | 4  | 5  | 6  |
| a. I would normally look at the strengths and weaknesses of my business and compare these to opportunities and threats in my market (what some may call a ‘SWOT’ analysis) and then decide what I want to do. | 36.2    | 42.5 | 12.6 | 4.7 | 1.6 | 2.4 |
| b. Everything always comes back to Return on Investment. If a project meets ROI criteria we go for it. | 8.7     | 30.2 | 30.2 | 24.6 | 4   | 2.4 |
| c. We come up with new ideas, float them around with senior people and if we get support we’ll push the idea ahead. | 11.9    | 27.0 | 31.7 | 19.8 | 7.9 | 1.6 |
| d. I know my market and customers well. I am always looking for opportunities to do more business. If I see an opportunity, which I think will work, I go for it. | 23.8    | 30.2 | 25.4 | 13.5 | 3.2 | 4.0 |
| e. None of the above really apply. | 16.3    | 4.7  | 4.7  | 0   | 7.0 | 67.4 |
Figure 6-1 – The Process of Making Strategy
6.2.1 - 1c: Relating the responses to theory:

The use of more than one method of creating strategy would seem to have support in theory through the research of Hart and Banbury. Hart and Banbury considered the relationship between the use of various strategy-making modes and performance. Their research indicated that companies with what they termed high process capabilities, being defined as the simultaneous use of multiple strategy-making process modes, outperformed those companies using a single mode or less process capable organisations (Hart and Banbury 1994).

Hart and Banbury's research contained two principal conclusions:

➢ The first of these was that capability counts. The more that a company is able to develop competence in multiple modes of the strategy-making process, then the higher their performance will be. The best performing companies are those that are, simultaneously, planful, incremental, directive, participative, controlling, empowering, visionary and detailed. Their strategy processes are complex, involve people throughout the company and are truly considered a source of competitive advantage (ibid., p.265).

➢ The second principal conclusion was that high capability is robust. It is robust in that even after controlling for the effects of size and competitive environment in the research, it was found that high strategy-making process still provided higher levels of performance. Accordingly, such process facilitates superior performance in a wide variety of settings and situations (ibid., p.265-266).

Goold and Campbell in their research, Many Best Ways to Make Strategy, (Goold and Campbell 1987), found that there are many styles and ways to create strategy, and that no one style was better than the other. Rather, success of a particular strategy-making process lay in knowing a company's strengths and goals and choosing the approach that maximised these elements. This research was focused on the role of the head-office in strategy making.

It would seem therefore, although not directly tested in this research, that the survey respondents appear to display multi-process skills in strategy making and that this skill is a competitive advantage they should consciously pursue and develop.
The effectiveness of formal planning (Andrews & Ansoff models) is subject to much controversy and debate.

The debate surrounding the employment of strategic planning models has grown in intensity in the 90’s with very formalised systems, such as those of Ansoff, receiving the bulk of the criticisms. Mintzberg has strongly criticised Ansoff’s model and even written a book in support of his arguments, *The Rise and Fall of Strategic Planning* (Mintzberg 1994). Mintzberg believes that strategic planning serves a useful role as an analytical tool in strategy making but is not within itself a process for producing strategy. He believes that strategic planning, as strategy process model, is dysfunctional for a range of reasons that include the fact that, it:

- discourages commitment within a company,
- is essentially conservative in nature,
- becomes a tool of the planners’ biases,
- breeds political activity that is not in the best interests of the company, and
- is obsessed with control.

(Mintzberg 1993).

Yet despite the debate and criticisms surrounding strategic planning, it appears to be a model that is still adopted by many companies. The research of Ingrid Bonn, (Bonn 1996), focused upon the strategic management practices of Australia’s 100 largest manufacturing companies in 1982 and 1993 found that those companies that had formalised strategic planning systems had a higher rate of survival than those that didn’t. Bonn’s research, however, also noted that companies had improved the flexibility of their planning systems and placed a greater emphasis on informal planning. Corporate planning had shifted from doing to coordinating with responsibility for strategy making moving down line from head office planners to line managers.

Gray through his research, (Gray 1986), believed that the problem with strategic planning lay not so much in the process itself, but rather in its faulty preparation and
implementation. Strategic planning if applied as a separate management function of allocating resources to programmed activities so as to achieve a set of business goals in a dynamic, competitive environment will lead to unsatisfactory performance. However, if applied as a sub-function of strategic management then it will improve performance. Strategic management in this context is the pervasive aspect of running a business and is an instrument around which other control systems such as budgeting may be integrated. The key success factor of strategic planning is its integration with other organisational controls (ibid., p.89).

Breus and Hunt's comparison of the arguments for and against formal planning find support with the planning model subject to the amendment of specific weaknesses that may have existed in some models. These amendments they believe answer the criticisms that have been leveled at planning, namely that, firstly planning must not only be specific and formal but also flexible so as to permit growth in plans and secondly, that responsibility lie with line managers. Their research also noted that:
- planning was more effective in unstable environments than stable ones, and
- the benefits of planning are not immediate and take some years to appear (Breus and Hunt 1999).

Research by Amar Bhide on *How Entrepreneurs Craft Strategies Their Work*, (Bhide 1994), reflected that entrepreneurs found their business ideas through a variety of means that included:
- 71% obtained their ideas from previous work experience,
- 20% discovered them serendipitously,
- 5% just happen to be swept into them, and only
- 4% discovered them through systematic research for opportunities.

In Bhide's research it was the experience, through prior employment, that provided the principal source of ideas. The entrepreneurs generated lots of ideas, quickly discarded those with little merit (based upon judgement and reflection), and generally selected those ideas that would work opportunities identified through personal experience (ibid., p.150-151). Once an idea had been developed only 28% of the
entrepreneurs prepared a full-blown formal plan. Bhide found that an ability to *roll with the punches* was far more important to survival of the entrepreneurs business than careful planning (ibid., p.152).

The results of Bhide’s work would seem to support the findings of the qualitative research, the interviews with experienced Australian businesspersons. These experienced Australian businesspersons were all self-made businessmen and businesswomen, and who may be described as entrepreneurs. These interviewees indicated that they did not go out and plan their strategies, rather they had the relevant experience and continually searched for the right opportunity/strategy. When they found an opportunity that they judged to be worthwhile, based upon judgement and gut instinct, they pursued it. Both Bhide’s entrepreneurs and the interviewees sought, found and pursued opportunities drawn from their work experience.

As a final reflection on the strategy-making process, Papadakis et al. in their research, (Papadakis, Spyros et al. 1998), of what influences the process of making strategic decisions found that:

- certain management and internal company characteristics significantly influenced this process, while
- other factors such as environment variables appeared to be insignificant.

These management and internal characteristics included factors such as the:

- CEO’s risk propensity, education, and tenure,
- top management team’s aggressiveness, and
- formality of planning systems; influencing the way in which strategic decisions are taken and thus, to an extent, strategy itself.
6.2.1 - 2: Is it important to build political support for an idea before it is formally introduced?

6.2.1 - 2a: Considering the question submitted to respondents:

Quinn (ref. 2.8) in his model of how effective strategies were formulated, believed that an integral part of the process of developing strategies was a political one. If strategies were to be successful they must gain political support and backing. Such a political process required a gradual introduction of intended strategies into a company by a politically astute person. Failure to adopt such action would only lead to a focusing of opposition and a possible rejection of the intended strategy (Quinn 1977).

6.2.1 - 2b: Statistical consideration of respondents' answers:

The respondents to the survey generally supported Quinn's belief in the importance of the political support of intended strategies. Of the respondents 70.3% considered political support to be fairly - very important. Only 12.6% thought that it was not so important - not important.

Table 6-2 – Importance of Political Support

<table>
<thead>
<tr>
<th>Political Support</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is it important to build political support for an idea before it is formally introduced?</td>
<td>30.7</td>
<td>39.4</td>
<td>17.3</td>
<td>8.7</td>
<td>3.9</td>
</tr>
</tbody>
</table>
6.2.1 - 2c: Relating the responses to theory:

Both Andrews (ref. 2.4) and Ansoff (ref. 2.5) in their models of strategy making, recognised the importance of political support for a chosen strategy. Andrews stated that in formulating strategy consideration must be given to the personal aspirations of senior management (Andrews 1971, p.37). Ansoff in his analytical model of strategy making recognised the need to develop objectives that took into account the objectives of a company’s participants (Ansoff 1965, p.37-38).

Eisenhardt in her work on the strategic decision process draws an important distinction from the political process that Quinn noted in his research and politicking. She concluded that although conflict was an essential element of effective strategy making that politics were not a welcome part of the process. Conflict being constructive criticism and comment while the object of politicking being purely the pursuit of self-interest. Conflict represented a natural feature of strategic decision making, as reasonable managers will often hold divergent views on how the marketplace may evolve. Conflict stimulates innovative thinking and creates a fuller understanding of options thereby enhancing decision making. Politicking, however, often involves managers using information to their own advantage and thereby
distorting the decision process. As such Eisenhardt consider politics a waste of an executive’s valuable time (Eisenhardt 1999).

6.2.1 - 3: Personal desires, aspirations and the needs of senior mangers; what level of influence do you believe these generally have on the selection of strategy?

6.2.1 - 3a: Considering the question submitted to respondents

Each of the three theoretical models considered above (models of Andrews, Ansoff and Quinn) recognised the importance of the personal desires, aspirations and the needs of senior managers in the strategy-making process.

Andrews and Ansoff required that these elements be factored in when considering any intended strategy (Andrews 1971, p.37), (Ansoff 1965, p.37-38).

Quinn’s approach to the strategy process placed a far greater emphasis on the influence of personal desires, needs and aspirations and saw a balancing and blending of these elements into the core of the strategy process. The formulation and implementation of strategy involved the incremental building of political support which required a recognition and management of senior managers’ self interests (Quinn 1977, p.22-26).

6.2.1 - 3b: Statistical consideration of respondents’ answers

Although 64.5% of respondents considered the impact of senior managers’ self-interests to be fairly - very influential on the selection of strategy, such percentage could not be considered to match with Quinn’s model but probably sufficient for Andrew’s and Ansoff’s models. 15% of respondents considered the impact to be not so influential - not influential.
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Practices: Review & Discussion of Findings

Table 6-3 - Influence of Personal Desires

<table>
<thead>
<tr>
<th>Personal Desires</th>
<th>Very Influential</th>
<th>Fairly Influential</th>
<th>Neutral</th>
<th>Not so Influential</th>
<th>Not Influential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal desires, aspirations and the needs of senior managers: what level of influence do you believe these generally have on the selection of strategy?</td>
<td>17.3</td>
<td>47.2</td>
<td>20.5</td>
<td>14.2</td>
<td>.8</td>
</tr>
</tbody>
</table>

Figure 6-3 - Influence of Personal Desires

6.2.1 - 3c: Relating the responses to theory

The process of creating strategy is rarely dominated by an objective analysis to such an extent as to eliminate the subjective imprint of managers. Managers' decisions are often influenced by their own biased vision of how they believe the company should compete. Issues of image and standing also influence their position. Both casual
observation and formal studies have indicated that the ambitions, values, business philosophies, attitudes toward risk, and ethical beliefs of managers have an important impact of strategy (Thompson and Strickland 1990, p.46).

A study by Wright & Ferris of business divestments by South African companies concluded that a significant number of these divestments were motivated by non-economic forces and were not in the best interests of its owners. They found that contrary to generally held beliefs that companies were managed by senior executives for shareholders, that their actions were in fact motivated by self-interest (Wright and Ferris 1997).

Geletkanycz’s consideration of an executive’s values and strategy found that their values were a significant determinant of strategic choice. She also found that these values maybe attributed to their cultural background and endured both continuing professional experience and socialisation (Geletkanycz 1997).

6.2.1 - 4: Do you often find that the idea you first come up with is not the one that was eventually successful; that it changed/developed as you worked with it in the market. What degree of difference do you feel generally occurred?

6.2.1 - 4a: Considering the question submitted to respondents:

One of the foundations upon which Quinn (ref. 2.8) based his approach to strategy making was that strategies are developed incrementally; that is to say they are not created in isolation or born from a fully developed plan ready to be implemented. Rather, they may first commence with merely an increasing awareness of a need, which over time takes form and is progressively developed until, through learning, the final form of the strategy is recognised (Quinn 1980).

6.2.1 - 4b: Statistical consideration of respondents’ answers:

Only 3.1% of respondents indicated that that their plans always changed, however, a further 55.9% stated that their plans frequently changed; a cumulative percentage of
59.0%. None of the respondents stated their plans *never* changed and only 8.7% indicated a frequency of *not often*.

Only 4.9% of respondents indicated that the degree of difference was *very different*, 48.8% *different* and 41.5% *not very different*.

These survey responses would seem to reflect a level of the recognition or acceptance of, the existence of the incremental nature of strategy making as envisaged by Quinn but certainly not a strong support for its existence.

**Table 6-4 – Change in Deliberate Strategy**

<table>
<thead>
<tr>
<th>Change</th>
<th>Always</th>
<th>Frequently</th>
<th>Occasionally</th>
<th>Not Often</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you often find that the idea you first come up with is not the one that was eventually successful; that it changed/developed as you worked with it in the market?</td>
<td>3.1</td>
<td>55.9</td>
<td>32.3</td>
<td>8.7</td>
<td>0</td>
</tr>
</tbody>
</table>

**Table 6-5 - Degree of Change**

<table>
<thead>
<tr>
<th>Degree of Change</th>
<th>Extremely Different</th>
<th>Very Different</th>
<th>Different</th>
<th>Not Very Different</th>
<th>Only Minor Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td>What degree of difference do you feel generally occurred?</td>
<td>0</td>
<td>4.9</td>
<td>48.8</td>
<td>41.5</td>
<td>4.9</td>
</tr>
</tbody>
</table>
Figure 6-4 – Change in Deliberate Strategy

The concept of deliberate and emergent strategies supports the idea that strategy making is not just a process of planning and execution, but also a dynamic and continuous one. The discussion of emergent strategy highlights the importance of flexibility and adaptability in strategic decision-making.

Figure 6-5 - Degree of Change

The degree of change in strategy is measured through the percentage of respondents who perceive the degree of change to be very different, different, not very different, or only minor difference.
6.2.1 - 4c: Relating the responses to theory:

Mintzberg's concept of deliberate and emergent strategies supports Quinn's belief in the incremental nature of strategy making (Mintzberg and Waters 1985). Mintzberg introduces the process of strategic learning into the formation of strategy through the concepts of deliberate and emergent strategies as discussed at ref. (2.4.10). Deliberate strategies arise where the focus is on direction and control; strategies once set are not permitted to adapt or develop. Emergent strategies incorporates strategic learning where management are able introduce strategies without fully understanding every aspect thereby permitting an evolution in their thought and knowledge (ibid., p.270-271). Accordingly, strategies can form as well as be formulated (Mintzberg 1987b). The existence of this process of strategic learning is generally considered supported through the work of Pascale on what has become known as The Honda Effect. Pascale in his work recounts how Honda established their market presence successfully in America. A review of Honda's final successful entry into the American market reveals miscalculations, serendipity and organisational learning. Their original strategy bore little resemblance to that which was ultimately successful and as such is seen as support for the concept of strategic learning, incrementalism and deliberate and emergent strategies (Pascale 1984), (Mintzberg, Pascale et al. 1996).
6.2.2 Heading 2: What Purpose Do Strategies Fulfil?

6.2.2 - 1: How important are clearly defined strategies to a business’s competitiveness?

6.2.2 - 1a: Considering the question submitted to respondents:

It can be said without exception, that each author’s work which, has been considered in the review of literature (chapter 2), has identified clearly defined strategies as a key ingredient to competitive success:

➢ Andrew’s work (ref. 2.4) was premised on the foundation that managers required clearly identify strategies so as to enable their entire company to focus on these strategies rather than follow their gut feelings that was so common amongst companies (Andrews 1971, p.24).

➢ Ansoff’s analytical model (ref. 2.5) required the clear identification of objectives and the gearing of the entire company to the fulfillment of those. Strategies provided guidance and capacity for growth within a company (Ansoff 1965, p.206 & p.108).

➢ Quinn (ref. 2.8), although at odds with Andrew and Ansoff in terms of the process of strategy making, believed that strategies, even if only in broad terms, needed to be communicated clearly so as to permit their further definition, development and the building of support (Quinn 1977, p.22-26).

6.2.2 - 1b: Statistical consideration of respondents’ answers:

93.7% of respondents indicated that they believed clearly defined strategies were fairly - very important to a business’ competitiveness, with 71.7% considering them very important.
Table 6-6 – Importance of Strategies

<table>
<thead>
<tr>
<th>Importance Strategies</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>How important are clearly defines strategies to a business’ competitiveness?</td>
<td>71.7</td>
<td>22.0</td>
<td>3.9</td>
<td>.8</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Figure 6-6 - How Important is Strategy

6.2.2 - 1c: Relating the responses to theory:

Mintzberg also believed that despite the emergent nature of strategy, that clearly defined strategies were important to a company for the following reasons, strategies:

- *set direction* so as to outsmart competitors or at least manoeuvrer through a threatening environment.
- *focus effort* of the company and promote coordination of activity.
- *define the company* thereby directing the attention of the people within the company and also providing meaning to people within and outside that company.
provide consistency and thereby reducing uncertainty.
(Mintzberg 1987a).

Campbell and Alexander in their consideration of purpose and strategy examined the confusion that arises in the use of such tools as mission, objectives, strategy and tactics in strategy making. They concluded that the role of strategy was a linkage between purpose and insights. Strategy was meaningless without a predefined purpose and could not be created without insights of the future. The also believed that purposes such as ‘maximising shareholder wealth’ were not a purpose for an organisation to exist but rather an economic constraint to be borne in mind (Campbell and Alexander 1997).

6.2.2 - 2: When should you consider the competitive strategies for your business:

6.2.2 - 2a: Considering the question submitted to respondents:
The question of when strategies should examined is to a significant extent dependent upon the strategy-making process that is in use. The strategy-making processes of Andrews (ref. 2.4) and Ansoff (ref. 2.5) lend themselves far more to annual planning cycles whereas the logical incremental process of Quinn (ref. 2.8) blends more readily with a continuous ongoing process.

6.2.2 - 2b: Statistical consideration of respondents’ answers:
The respondents to the survey clearly indicated that they believe strategy making should be considered as a continuous ongoing process with 81.9% of respondents ranking that option 1 on a scale of 5. The next option indicated by respondents was when something changes in the market with 24.4% of respondents ranking it 1 on a scale of 5.
Table 6-7 - When Do You Reconsider Strategies

<table>
<thead>
<tr>
<th>When do you set competitive strategies</th>
<th>Highest</th>
<th>Lowest</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>a. When you competitors do something</td>
<td>8.7</td>
<td>27.8</td>
<td>27.0</td>
</tr>
<tr>
<td>b. As a continuous ongoing process</td>
<td>81.9</td>
<td>11.8</td>
<td>5.5</td>
</tr>
<tr>
<td>c. When something changes in the market</td>
<td>24.4</td>
<td>55.9</td>
<td>17.3</td>
</tr>
<tr>
<td>d. As part of an annual cycle</td>
<td>19.0</td>
<td>22.2</td>
<td>22.2</td>
</tr>
</tbody>
</table>

Figure 6-7 – When Do You Reconsider Strategies

*NOTE: Y-AXIS SCALES VARY ON EACH OF THE GRAPHS BELOW*
6.2.2 - 2c: Relating the responses to theory:

Although the strategy-making processes of Andrews and Ansoff do not necessary lend themselves to continuity it does not mean that they did not concern themselves with the future and change. Andrews considered that success was heavily dependent upon the general manager’s willingness to always be concerned with the future (Andrews 1971, p.54). In support of this belief, Andrews also stated that managers must continuously survey the environment with a focus on what:

➤ are the essential economic and technical characteristics of the industry.
➤ trends are apparent that suggest future change in these characteristics.
➤ is the nature of competition within the industry and across industries.
➤ are the requirements for success in the industry.

And given the above what strategies are available.

(ibid., p.59-80).

Therefore, the task of the strategy maker in Andrews’s mind was one of a continuous development of strategy (ibid., p.23).
As for the effect of uncertainty on the timing and ability to make strategic decisions in more formal systems (e.g. Ansoff's model), traditional views would consider that analysis would enable the future to be accurately predicted. However, more recent views of those authors that promote formal analysis are that a process of classification of the:

- level of uncertainty,
- type of strategy being considered, and
- application of a wider range of analytical tools

will reduce uncertainty to a manageable level and enable effective decisions to be made (Courtney, Kirkland et al. 1997).

Chakravarthy through his research believes that most of the extant frameworks in strategic management implicitly assume an almost benign environment that is also simple and not very dynamic. Such environments are rare and accordingly many of the frameworks built upon these environmental assumptions are ill suited for management today. He believes that the most effective way in which companies can cope with their environments today is to be the change drivers. Companies continuously change their strategies and thereby drive the market rather than chasing it (Chakravarthy 1997).
6.2.3 Heading 3: Who Are The Best People To Decide What Should Be Done?

6.2.3 - 1: How effective in creating competitive strategies would you consider competitive strategies developed by:

6.2.3 - 1a: Considering the question submitted to respondents:

Again a decision on who are the most effective persons to draw competitive strategies turns in part upon the strategy-making process ascribed to.

Andrews believed that planning should not be centralised but rather left at divisional level where the greatest knowledge of opportunities would reside. He considered it irrelevant as to whether the company was a decentralised group or not, planning should reside at divisional level (Andrews 1971, p.85). Accordingly, he clearly saw the role of strategy-maker as lying with the general manager. The general manager was responsible for strategy making for their business requiring the supervision of the continuous process of determining the nature of the enterprise and setting, revising and attempting to achieve its goals (ibid., p.23).

Because of the complexity required in the analytical model of Ansoff, companies that adopted this process of strategy making generally created centralised planning departments that became a focus of control and the determinants of strategy, leading to widespread criticism of this system (Mintzberg 1993).

Under Quinn’s model (ref. 2.8) of logical incrementalism the process of strategy making was one where business level managers developed strategies and integrated them progressively (Quinn 1977, p.32).
6.2.3 - 1b: Statistical consideration of respondents' answers:

The respondents to the survey would seem to indicate a preference for strategy making at senior management levels working alone within a company. The responses taken at the level of very – fair effective would rank the options as follows:

- The managing director and board – 82.9%
- The various divisional managers – 82.9%
- All listed working together – 73.8%
- The various line managers – 55.3%
- The employees – 40.6%

However, it should also be noted that the option all listed working together received the highest frequency at the level of very effective with a percentage of 56.3% as against 34.1% for the option managing director and board and 26.8% for the option the various divisional managers.

Table 6-8 - Who is Effective in Making Strategies

<table>
<thead>
<tr>
<th>Competitive Strategies Developed by:</th>
<th>Very Effective</th>
<th>Fairly Effective</th>
<th>Neutral</th>
<th>Not so Effective</th>
<th>Not Effective</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. the managing director and board</td>
<td>34.1</td>
<td>48.8</td>
<td>9.8</td>
<td>4.1</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>b. the various divisional managers</td>
<td>26.8</td>
<td>56.1</td>
<td>8.9</td>
<td>4.1</td>
<td>0</td>
<td>4.1</td>
</tr>
<tr>
<td>c. the various line managers</td>
<td>10.6</td>
<td>44.7</td>
<td>29.3</td>
<td>10.6</td>
<td>.8</td>
<td>4.1</td>
</tr>
<tr>
<td>d. the employees</td>
<td>6.5</td>
<td>34.1</td>
<td>25.2</td>
<td>22.0</td>
<td>12.2</td>
<td>0</td>
</tr>
<tr>
<td>e. all listed working together</td>
<td>56.3</td>
<td>17.5</td>
<td>11.9</td>
<td>3.2</td>
<td>5.6</td>
<td>5.6</td>
</tr>
</tbody>
</table>
Strategic Management Theory, Practice & Classical Chinese Military Strategy

Practices: Review & Discussion of Findings

**Figure 6-8 - Who is Effective in Making Strategies**

- **develop - md and board**
  - Very effective: 50%
  - Fairly effective: 20%
  - Neutral: 10%
  - Not effective: 10%
  - N/A: 10%

- **develop - divisional mgrs**
  - Very effective: 60%
  - Fairly effective: 30%
  - Neutral: 5%
  - Not so effective: 5%
  - N/A: 0%

- **develop - line mgrs**
  - Very effective: 40%
  - Fairly effective: 30%
  - Neutral: 20%
  - Not effective: 10%
  - N/A: 0%

- **develop - employees**
  - Very effective: 30%
  - Fairly effective: 20%
  - Neutral: 20%
  - Not effective: 10%
  - N/A: 10%

6.2.3 - 1c: Relating the response

A review of theory reflects arguments that support the generation of strategy by each of the levels noted in the question.

Possibly the most influential paper in Western strategic management theory on the structure under which strategies should be developed was that of Vancil & Lorange, *Strategic Planning in Diversified Companies* (Vancil and Lorange 1975). They believed that the formalisation of the planning process was essential if managers were ever to devote adequate time to strategic thinking. To achieve this goal they developed a three tiered structure (top down) for the formulation of strategy whereby:

- **Corporate planning** is undertaken at the corporate headquarters through deciding what a company’s objectives and goals are, which businesses to engage in and the acquisition and allocation of resources.
- **Business planning** is undertaken at divisional level, where strategies are drawn to implement the corporate strategies that have already been set for the relevant area of business.
> **functional planning** is undertaken at the departmental level in support of the business level strategies.

Pearce & Robinson believed that strategy was best made by a team consisting of decision-makers from all three corporate levels; corporate, divisional and functional (Pearce and Robinson 1988b, p.8).

The importance of involving all employees in the strategy-making process was recognised by Waterman, Peters & Phillips in the development of the **7-S Framework** (Waterman, Peters et al. 1980), and Peters and Waterman in the work *In Search of Excellence* (Peters and Waterman 1982).

Goold & Campbell believed that the issue of whom should make strategy as one to be determined by reference to what goals existed. Their thesis is that many goals are incompatible, for example incompatible goals are:

- business development,
- responding quickly to market changes,
- making careful decisions, and
- maximising financial return.

If business development was a key goal, then headquarters should make strategy. If financial performance was paramount, then divisional managers should determine the strategy and headquarters would need to accept this position. Further, an attempt to try and balance out these conflicting goals would only lead to ambiguity (Goold and Campbell 1987).

Leidtka and Rosenblum in building their model of strategic conversation reflect on the importance of strategy being owned by all members of a company. Their model recants the development of strategic thinking from one that was focused on industry to one that is focused on transportable capabilities. They note in the development of their model that for such capabilities to be effectively built they must be underpinned by learning which requires commitment by all employees (Leidtka and Rosenblum 1996).
Hayes and Upton in their work on operations-based strategy note that to think of strategy as a high-level game of chess is to miss the real competitive nature of strategy. Strategy requires people throughout the company to continually identify opportunities, develop new knowledge and capabilities and test out their new ideas. Strategy is a battle fought and won in the market not in the boardroom (Hayes and Upton 1998).

6.2.3 - 2: How effective in creating competitive strategies would you consider competitive strategies developed by persons with the following level of knowledge:

6.2.3 - 2a: Considering the question submitted to respondents:

The appropriate level of knowledge required to create effective strategies is again, in part, a function of the strategy-making process in use by the company.

Andrews's SWOT model (ref. 2.4) required not only the knowledge to enable the strengths, weaknesses, opportunities and threats process to be carried through but Andrews's also noted that managers must always:

- focus on the future,
- critically question the results of any strategy,
- question industry norms and conventional wisdom, and
- continuously scan the environment for factors which affect their strategy.

(Andrews 1971, p.54-56 & p.77-80).

Ansoff's strategy making model (ref. 2.5) required a significant level of formal analysis to be undertaken to facilitate strategies to be formed. This analysis was traditionally undertaken by centralised planning departments that were well detached from the everyday business operations (Ansoff 1965).
Quinn’s strategy-making process of logical incrementalism (ref. 2.8) introduced the concept of strategic learning whereby strategies take form and are developed as learning progressed (Quinn 1977). Mintzberg’s work on deliberate and emergent strategies (ref. 2.13) runs in a similar vein to that of Quinn’s theories with the recognition that strategies often emerge as you learn rather than being deliberately planned (Mintzberg and Waters 1985). Pascale further reinforces this concept of strategic learning again in his recounting of the Honda Effect as discussed at ref. (6.2.1 - 4) (Pascale 1984).

During the course of the interviews it became clear that the interviewees held a common belief in the importance of the level of knowledge of the persons making strategy. They believed that the knowledge must be first hand, intimate and as close to the market as possible. Drawing upon the content of the interviews, the level of knowledge may be described as getting as close to the coal face as possible. The point being emphasised is that the knowledge consisted of one part that may be gathered through formal research and another part that may be described as gossip that cannot be gained through research. By gossip the interviewees were referring to the contacts and intuition that may only be gained by being there in person. They considered both parts were essential in creating effective strategies.

6.2.3 - 2b: Statistical consideration of respondents’ answers:

The respondents indicated that strategy makers should have a first hand and intimate level of knowledge with a cumulative percentage of 91.4% considering such very – fairly effective. They also indicated that a good general business skill was more effective than mere formal analysis (15.1% v. 9.6% at very effective level) but that at the end of the day, formal analysis was important (cumulative 62.4% v. 51.6% at the very-fairly effective level).
Table 6-9 - Level of Knowledge Required

<table>
<thead>
<tr>
<th>Level of Knowledge</th>
<th>Very Effective</th>
<th>Fairly Effective</th>
<th>Neutral</th>
<th>Not so Effective</th>
<th>Not Effective</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. first hand and intimate</td>
<td>57.0</td>
<td>34.4</td>
<td>3.9</td>
<td>3.1</td>
<td>.8</td>
<td>.8</td>
</tr>
<tr>
<td>b. an understanding from independent formal analysis of options</td>
<td>9.6</td>
<td>52.8</td>
<td>19.2</td>
<td>12.8</td>
<td>2.4</td>
<td>3.2</td>
</tr>
<tr>
<td>c. a good general business skill</td>
<td>15.1</td>
<td>36.5</td>
<td>27.8</td>
<td>15.1</td>
<td>4.8</td>
<td>.8</td>
</tr>
<tr>
<td>d. an understanding from discussions with management</td>
<td>2.4</td>
<td>34.4</td>
<td>35.2</td>
<td>18.4</td>
<td>8.0</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Figure 6-9 - Level of Knowledge Required

know-first hand

know-formal analysis
6.2.3 - 2c: Relating the responses to theory:

Mintzberg in his work *Crafting Strategy* (Mintzberg 1987b) describes the level of knowledge required for effective strategy making through the following example:

'Nobody knew the grocery business like we did. Everything has to do with your knowledge. I knew merchandise, I knew cost, I knew selling, I knew customers. I knew everything, and I passed on all my knowledge; I kept teaching my people. That’s the advantage we had. Our competitors couldn’t touch us.'

(ibid., p.74).

Mintzberg elaborated upon this example by describing this kind of knowledge as not intellectual knowledge, not analytical reports or abstract facts or figures, but personal knowledge, an intimate understanding that could be equated to a craftsman’s feel for his clay (ibid., p.74).

Mintzberg provided a description of the level of knowledge from a different perspective in his work *The Fall and Rise of Strategic Planning* (Mintzberg 1994). In
this work he stated that the strategy-making process should capture what the manager learns from all sources being not only the hard data from analysis such as market research, but also the soft insights of their personal experiences and the experiences of others throughout the company (ibid., p.207).

Bhide in his work on *How Entrepreneurs Craft Strategies that Work* noted that only 4% of entrepreneurs discovered their ideas through systematic research. As for the remaining 96%, well 71% developed a concept discovered through employment, 20% discovered it serendipitously and 5% were simply swept into the PC revolution (Bhide 1994, p.151).

Chan Kim and Mauborgne argue that ‘when people feel their strategic decision-making processes are fair, they display a high level of voluntary cooperation based on their attitudes of trust and commitment’. Given that companies now compete in a knowledge economy it is essential that the voluntary and active participation of employees be gained. This participation can only be achieved by ensuring all employees own the company’s strategies and then commitment will follow (Chan & Mauborgne 1998).

6.2.3 - 3: How effective in creating competitive strategies would you consider the formulation of strategies by senior management and their implementation by lower management?

6.2.3 - 3a: Considering the question submitted to respondents:

Andrews (ref. 2.4) in describing the process involved in making strategy within his model clearly distinguished between the steps of formulation and implementation. Although noting their interrelationship in practical terms, Andrews considered that the steps of formulation and implementation were issues that should be considered separately whenever and wherever possible (Andrews 1971, p.37).
The Ansoff's model (ref. 2.5) by its nature required a separation of the tasks of formulation and implementation.

6.2.3 - 3b: Statistical consideration of respondents' answers:

The respondents to the survey indicated that they considered the process of formulation of strategies by senior management and then the implementation by lower management as very - fairly effective in creating competitive strategies with a cumulative percentage of 59.8%. Although not an overwhelming show of support, only of 16.6% (cumulative) of respondents indicated that they considered the process not so effective to not effective. The remaining 21.3% considered the process as neutral.

Table 6-10 – Formulation

<table>
<thead>
<tr>
<th>Formulation</th>
<th>Very Effective</th>
<th>Fairly Effective</th>
<th>Neutral</th>
<th>Not so Effective</th>
<th>Not Effective</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formulation of strategies by senior management and then implementation by lower management.</td>
<td>16.5</td>
<td>43.3</td>
<td>21.3</td>
<td>15.0</td>
<td>1.6</td>
<td>2.4</td>
</tr>
</tbody>
</table>

Figure 6-10 - Formulation & Implementation
6.2.3 - 3c: Relating the responses to theory:

The thesis that Andrews established in support of his segregation of formulation and implementation was that conscious strategy once drawn may be consciously implemented through simple administrative skills. He believed a company’s structure, its processes by which tasks are assigned, performance motivation and reward, and control systems should all be determined by its strategy and not by historical patterns, industry position or any other basis (ibid., p.181).

Quinn (ref. 2.8) on the other hand strongly believed, as a foundation to his thesis, that formulation and implementation were intertwined tasks that were developed in tandem. Further, any attempt to segregate these two interdependent activities was to deny the reality in which strategy-making occurred and would only lead to a failure of that strategy (Quinn 1977).

Mintzberg’s thesis of deliberate and emergent strategy (ref. 2.4.10) also challenged the notion that the tasks of implementation and formulation may be segregated. Mintzberg’s thesis of strategy making removed the process whereby strategies are implemented as formulated. Rather, what Mintzberg saw was a process of strategic learning where strategies are develop through experience (on the job learning) and what you intended to do may well not be what you end up doing. Accordingly, it is not possible to formulate and then implement (Mintzberg and Waters 1985).

The views of Quinn and Mintzberg are supported through the classic case study, The Honda Effect as recounted by Pascale and previously commented upon (Pascale 1984).

Chan Kim and Mauborgne in their examination of the strategic decision making process concluded that a feeling of fairness was necessary in this process if trust and commitment were to be gained; both of which they believed were necessary for competitive strategies to be created. They further concluded that the segregation of the
strategy process into formulation and implementation was no longer valid and these two stages merged into one where fairness was introduced as an aim of the process (Chan & Mauborgne 1998).

6.2.3 - 4: How effective in creating competitive strategies would you consider a management career development programme where managers are rotated every 2/3 years from business unit to business unit?

6.2.3 - 4a: Considering the question submitted to respondents:

Hamel & Prahalad (ref. 2.14) in their work titled Strategic Intent, highlighted what they believed to be a traditional practice within large corporations of rotating promising managers every 2 to 3 years from one business unit to another. This career management programme was premised on the belief that exposing up and coming managers to a range of businesses within the group would provide them with the skills for future leadership (Hamel and Prahalad 1989).

6.2.3 - 4b: Statistical consideration of respondents answer:

Only 1.6% of the respondents indicated that this career management process was very effective in creating competitive strategies. A further 24.2% considered it fairly effective. However, only 23.5% (cumulative) of respondents considered the process to be not so effective – not effective. The remaining 34.4% were neutral.

Table 6-11 - Career Development

<table>
<thead>
<tr>
<th>Career Development</th>
<th>Very Effective</th>
<th>Fairly Effective</th>
<th>Neutral</th>
<th>Not so Effective</th>
<th>Not Effective</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>A management career development programme where managers are rotated every 2/3 years from business unit to business unit.</td>
<td>1.6</td>
<td>24.2</td>
<td>34.4</td>
<td>14.1</td>
<td>9.4</td>
<td>16.4</td>
</tr>
</tbody>
</table>
6.2.3 - 4c: Relating responses to theory:

Hamel & Prahalad believed that such a career management process did not permit the managers involved in it to build the intimate business knowledge that is required for leadership. They believed that leaders could only participate in a real discussion of issues such as technology development, competitor strategies, future direction etc., if they held intimate knowledge and such was only obtained over many years. The limited knowledge that managers would gain on a 2 to 3 year posting would restrict their strategy discussions to an analysis of numbers and performance ratios that would be of little use to the company (ibid., p.74,75).

The approach of Hamel and Prahalad to the type and level of knowledge that managers require in strategy-making, is consistent with the thoughts of Mintzberg and Bhide as noted at ref. (6.2.3 - 2).
6.2.3 - 5: How effective in creating competitive strategies would you consider a tiered down process of strategy formulation, where senior management create corporate wide strategies, then middle management create business unit strategies, and then line managers draw functional strategies?

6.2.3 - 5a: Considering the question submitted to respondents:

Vancil and Lorange (ref. 2.7) promulgated a theory of strategy formation in 1975 that has remained in practice through until today. They believed that managers would only be able to devote time to strategic planning if it was a formalised process. To permit this formalisation, Vancil and Lorange created a tiered down methodology of strategy formation. The tiers were corporate level, business level and departmental level (Vancil and Lorange 1975).

6.2.3 - 5b: Statistical consideration of respondents’ answer:

18.4% of the respondents indicated that they considered this tiered down process of strategy formulation very effective in creating competitive strategies and a further 44.8% considered this process fairly effective providing a cumulative percentage of 63.2%. Only 9.6% of respondents considered the process not so effective - not effective.

Table 6-12 – Tiered Down Process

<table>
<thead>
<tr>
<th>Tiered Down</th>
<th>Individual Frequency Responses %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Effective</td>
<td>Fairly Effective</td>
</tr>
<tr>
<td>A tiered down process of strategy formulation, where senior management create corporate wide strategies, then middle management create business unit strategies, and then line managers draw functional strategies.</td>
<td>18.4</td>
</tr>
</tbody>
</table>
6.2.3 - 5c: Relating the responses to theory:

Vancil and Lorange believed that strategy should be formulated in three cycles:

- First cycle: the establishment of corporate level objectives and goals being drawing up divisional characters and the forming of tentative agreements with business units.

- Second cycle: the development of action programmes by business unit managers to comply with corporate guidelines established above.

- Third cycle: the development of departmental plans in compliance with and enabling the achievement of business level objectives.

(italicized text)
6.2.4 Heading 4: When Considering What To Do, Is There A Particular Base You Always Come Back To?

I select my competitive strategies on the following basis:

6.2.4 -a: Considering the question submitted to respondents:

The review of literature (chapter 2) revealed what may be termed as a range of focuses for strategy making. A range of focuses refers to the fact that a number of authors, noted during the review of literature, recommended that strategies be developed in a specific way. Their recommendations were not in terms of the strategy-making process but rather, in terms of the focus or base from which those strategies should be created now and in the future.

The principal focuses/bases noted during the review of literature are:

a) Peters & Waterman (ref. 2.11) in their work on excellent companies (Peters and Waterman 1982) noted that companies should stick to the knitting. Their research had indicated that companies that do not branch out, but rather stick very close to their knitting (what they know), would outperform those that don’t. By sticking to the knitting, Peters & Waterman meant that companies should be diversifying whether internally or externally around a single skill (ibid., p.293). Their research indicated to them that where a company chose to branch out into generally related fields, they were not as successful as those who focused around a single skill. And those that diversified into a wide variety of fields generally failed (ibid., p.294).

b) Hamel & Prahalad (ref. 2.14) evolved and developed the concept of core competencies that they believed should constitute the focus of strategy making at corporate level. They believed that their concept of core competencies if applied would form the wellspring of new business development that companies required if they were to survive in global markets (Prahalad and Hamel 1990).
c) Porter (ref. 2.9) developed the thesis that the essence of strategy formulation was coping with competition (Porter 1979, p.137). Porter, in support of his thesis, developed what he termed the *five forces model*. The model was designed to permit an understanding and examination of the competitive forces within an industry. It is Porter’s belief that the degree of competition within an industry was a determinant of the profit potential for any participants in that industry and that the degree of competition was a function of the competitive forces at work within that industry (Porter 1980, p.3). Accordingly, the goal of the strategist is one of positioning their company within an industry so as to best defend their market position and influence industry forces (Porter 1979, p.137).

d) The resourced-based view of a company (ref. 2.12) is in many respects similar to that of core competencies in that they both believe that a company should be defined by what it is capable of doing rather than by what customer’ needs it may seek to fulfil (Grant 1991, p.15). However, under the resourced-based view, the company’s resources and capabilities are believed to form the foundation of strategy making as they provide a direction which the strategy may follow and are the primary source of profits (ibid., p.116).

e) The Boston Consulting Group is credited with having developed the *portfolio approach* to strategy making (ref. 2.6). Within the portfolio approach the head office of a company is viewed as an investor with each business unit being seen as an investment with its cash flow being the common link and focus. The investor’s task then became one of managing the portfolio of businesses based upon the prospects for success of each business and thereafter controlling the cash flow from one business to another business. Under this approach, the strategic mission of each business unit became solely financial in orientation ((Haspeslagh 1982) as cited in (De Wit and Meyer 1994, p.264)).

6.2.4 - b: *Statistical consideration of respondents’ answers:*

The respondents ranked the five options provided to them as follows, determined upon cumulative percentages:
Strategic Management Theory, Practice & Classical Chinese Military Strategy

Practices: Review & Discussion of Findings

➤ (b) - Core competencies: 34.6% at level 1 with a cumulative percentage of 87.4% at level 2.
➤ (d) - Resources/capabilities; 29.9% at level 1 with a cumulative percentage of 74.4% at level 2.
➤ (c) - Sustainable competitive advantage; 25.4% at level 1 with a cumulative percentage of 65.9% at level 2.
➤ (a) - Stick to your knitting; 14.3% at level 1 with a cumulative percentage of 50.0% at level 2.
➤ (e) - Portfolio management; 16.7% at level 1 with a cumulative percentage of 45.3% at level 2.

Table 6-13 - Selecting Competitive Strategies

<table>
<thead>
<tr>
<th>Competitive Strategies Base</th>
<th>Highest</th>
<th>Lowest</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Always stick to what you know and look for opportunities that build on this</td>
<td>14.3</td>
<td>5.6</td>
<td>1.6</td>
</tr>
<tr>
<td>b. We have a number of ‘Core Competencies’, being activities we are very good at and which provide a distinct advantage in the long term. All activities must build on these competencies</td>
<td>34.6</td>
<td>.8</td>
<td>.8</td>
</tr>
<tr>
<td>c. Sustainable competitive advantage through pricing, differentiation or focus; we always look for opportunities with one of these factors</td>
<td>25.4</td>
<td>5.6</td>
<td>4.8</td>
</tr>
<tr>
<td>d. We have specific resources and capabilities in our company and we pursue those options which can utilise these unique attributes</td>
<td>29.9</td>
<td>3.1</td>
<td>0</td>
</tr>
<tr>
<td>e. We consider our various businesses as a portfolio, which compliment each other. We look for opportunities that fit this portfolio</td>
<td>16.7</td>
<td>9.5</td>
<td>6.3</td>
</tr>
<tr>
<td>f. None of the above</td>
<td>21.4</td>
<td>3.6</td>
<td>75.0</td>
</tr>
</tbody>
</table>
Figure 6-13 - Selecting Competitive Strategies

select-stick to know

select-core competencies

select-competitive advantage

select-resources
6.2.4 - c: Relating the responses to theory:

The following additional comments may be made for each of the areas of focus presented to the respondents (in order (a) to (e) as set out on questionnaire):

a) Stick to your knitting

Peters and Waterman in supporting their argument to stick to your knitting noted the research of Richard Rumelt (Rumelt 1974). Rumelt in his research identified companies with a ‘dominant-constrained’ strategy and those with a ‘related-constrained’ diversification strategy and found that such companies were unquestionably the best overall performers. In the words of Rumelt: These companies have strategies of entering only those businesses that build on, draw strength from, enlarge some central strength or competence. While such firms frequently develop new products and enter new businesses, they are loath to invest in areas that are
unfamiliar to management. Rumelt added that better performing firms built their diversification strategies on some central skill or strength (Peters and Waterman 1982, p.294-295).

The position taken by Peters and Waterman and Rumelt is consistent with statements made by interviewees during the qualitative research phase that companies should only expand into allied activities or core products/services.

b) Core competencies
The concept of core competencies may be defined in the following ways:

➢ the collective learning in an organisation,
➢ the art of harmonising streams of technology,
➢ communication involvement with a deep commitment to work across organisational boundaries,
➢ skills that are enhanced with use,
➢ the glue that binds the existing businesses and also the engine for new business development,

Further, a core competence must be:

➢ capable of providing potential access to a wide variety of markets,
➢ capable of making significant contribution to the customer benefits, and
➢ difficult to imitate.

(Prahalad and Hamel 1990, p.82-84).

Hamel & Prahalad considered that when viewing core competencies, companies should think in terms of three planes of competition if they wish to be globally competitive. Firstly they must establish core competencies, from these they must then build core products, and then they should spawn end products. These end products will provide essential revenue and vital market data permitting and facilitating the development of core products that in turn will facilitate the development of core competencies (ibid., p.85-86).
Peter Drucker in his work *The Information Executives Truly Need* (Drucker 1995) noted what he described as the path-breaking concept of core competencies. He went on to state that *we have known leadership rests on being able to do something others cannot do at all or find difficult to do even poorly. It rests on core competencies that meld market or customer value with a special ability of the producer or supplier.*

Drucker also commented on the importance of relevant information on a company and its competitors’ core competencies and highlighted a number of examples in this regard (ibid., p.59).

c) Sustainable Competitive Advantage

In building his thesis of positioning within an industry, Porter noted that for a company to successfully cope with the five competitive forces within an industry (ref. 2.9.1), they must adopt one of three generic strategies. These three generic strategies were:

- Overall cost leadership; achieved through functional policies directed at cost leadership.
- Differentiation; by creating a product or a service perceived as being unique industry-wide.
- Focus; that is specialising in a particular market, product or service.

(Porter 1980, p.35).

It was Porter’s belief that if a company were to be successful, it would need to build sustainable competitive advantage through one of pricing (cost leadership), differentiation or focus. This competitive advantage would become sustainable by being capable of resisting erosion by competitor behaviour or industry revolution (Porter 1985, p.xvi). Porter described the practice of pursuing multiple strategies as being stuck in the middle and considered such a practice was not viable (Porter 1980, p.35,41).

Research undertaken by Kotha and Vadlamani, however, has indicated that the generic strategy approach of Porter is far too simplistic for the present competitive
environment. It lacks conceptual clarity and descriptive power and as such its prospective application in strategic management is limited (Kotha and Vadlamani 1995, p.82.).

Hamel in his work on strategic alliances (Hamel 1991) also criticised Porter’s paradigm. Hamel believed Porter’s model is focused too heavily on product-market positioning and likened such to being concerned only with the last few hundred yards of a marathon race. Hamel felt the basis of global competition laid in creating core competencies and this was a marathon race (ibid., p.83).

The issue of industry structure determining competitiveness is considered at ref. (6.2.5 - 19).

d) Resourced-based view
Under the resourced-based view of a company, strategy making would occur as follows:

➢ identify and classify the company’s resources and capabilities,
➢ appraise the rent producing capabilities of these resources/capabilities also considering their sustainability and appropriability,
➢ choose the strategy that best exploits these resources/capabilities,
➢ identify and fill any resource gaps,
➢ replenish, augment and upgrade the resource base as necessary.

(Grant 1991, p.115).

The key to the resource-based approach lies in gaining an understanding of the relationship between resources, capabilities, sustainable competitive advantage and profitability. These four elements represent a company’s identity, provide a framework for its strategy and is always unique to that company (ibid., p.133). The task of exploiting existing resources must always be undertaken while also building future resources (ibid., p.131,132).
The primary task of the strategist within the resourced-based view is one of maximising rents over time (ibid., p.119), while recognising the critical role of capabilities. Capabilities are routines or series of routines representing patterns of coordination between people and between people and other resources (ibid., p.122).

Oliver in her examination of sustainable competitive advantage under the resource-based view determined that resources are strengthen by practices that include:

- decentralised structures
- incentive systems that reward resource innovation
- cross-functional team-based structures to facilitate learning
- formal resource evaluation systems
- horizontal information technology flows
- employee selection and development programs that emphasis resource expertise and learning.

And depleted by factors that include:

- security leaks
- hiring away of key personnel
- lack on management emphasis of loyalty and dependability
- stagnant cultures
- management loyalty to outdated traditions
- low levels of management-employee trust
- vested interest in the status quo

(Oliver 1997)

Stalk et. al. in their work on capabilities (Stalk, Evans et al. 1992) noted that competition was a *war of movement*. Competitive success was therefore dependent upon:

- the anticipation of market trends, and
- the quick response to customer needs

In which the essence of strategy laid not in the structure/mix of a company’s products and markets but in its dynamics of behaviour.
The key to competitive success was in a company's ability to *weave its key business processes into hard-to imitate strategic capabilities that distinguished it from its competitors in the eyes of customers* (ibid., p.177).

Collis and Montgomery in their work on resources (Collis and Montgomery 1995) viewed the resourced-based model as one where various other models/processes, such as Andrew's SWOT analysis, core competencies and learning organisation, were drawn together. Each of these concepts requires a company to build a unique set of resources and capabilities, this process being undertaken with a focus on the dynamic industry context and competitive situation and rigorously applying market tests to those resources (ibid., p.128).

The resource-based view of strategy making inherently offers an explanation for the company effects on strategies and performance outcomes within the same industry. This is possible as this view argues that firm heterogeneity is significant and persistent, whereas industrial organisation theory suggests that industry effects dominate over time (Mauri and Michaels 1998, p.211).

Black and Boal believed that when adopting the resourced-based view it was important not to merely focus on the identification of single resources in building sustainable competitive advantage, such an approach being simplistic and failing to recognise the importance of the real time relationship that exists between resources. Accordingly, they developed a model of resources as being bundled, unbundled and re-bundled dependent upon the environment, the strategy and the firm, and with characteristic traits arising from inter-factor and inter-resource relationships. In their view to build sustainable competitive advantage within the resourced-based model, the unique inter-relationship of resources in a given situation must be recognised (Black and Boal 1994).

A final consideration under the resourced-based view is a finding by Makadok. In his study of first mover advantages he noted that those companies that were first into the market appeared to gain a resource position barrier that could not be readily imitated.
by competitors even though its nature was obvious. This finding has obvious implications for the concept of imitation (Makadok 1998).

e) Portfolio Approach

Under the portfolio approach, the essence of corporate level strategy lies in the ability to formulate and implement plans that will improve the mix and strength of a company’s portfolio based upon factors such as:

- industry attractiveness,
- individual business strength,
- life cycle of industry and business,
- position of the business within the industry, and
- its future prospects and cash flow/cash requirements.

The formulation of these plans was often assisted by the construction of matrices that plotted the relative position of various businesses in a portfolio based upon the various factors noted. Decisions to grow, hold, milk and divest would then be made (Thompson and Strickland 1990).

Hamermesh believed the portfolio model generally promoted resource efficiency through assisting business units in understanding their competitive strengths and guiding management in identifying divestiture candidates. However, his study of portfolio planning also raised qualifications in its application. He noted that portfolio planning could only improve business strategy when used cautiously and with other techniques for analysing industries and competitors. Hamermesh believed that the portfolio method had a strong bias against the search for business opportunities and that this aspect of the model must be fought against. Strategic thinking must extend well beyond the respective grid of each business unit (Hamermesh 1986).

Porter in his studies of portfolio management characterised its essence as being diversification through acquisition, that is, acquire a sound, attractive company with competent managers who agree to remain managing the business. It was this view of
the portfolio model that brought Porter to believe that the days of portfolio management as an effective tool had passed. Basically this belief arose as he felt capital markets had developed to the stage where attractive companies attracted significant buy premiums and the advantage of parental funds to business units had been eroded. Further, professional management skills were no longer the sole domain of large parent companies, industry specific skills were becoming increasingly important in managing businesses and the sheer complexity of managing a portfolio defeated even the best managers (Porter 1987, p.49-52).

Campbell et al. in their work on corporate strategy noted the failure of portfolio management to reap rewards for parent companies or their business units despite its extensive use. They attributed this failure principally to the financial basis upon which members of a portfolio were evaluated. The key criteria that they believe management should address are:

- what businesses should this company own, and
- why, and
- what organisational structure, management processes and philosophy will foster superior performance in those businesses.

Campbell et al. in developing their thesis on corporate strategy coined the concept of parenting. The goal of parenting being the fit between parent and business to create value. To determine fit a manager must know a great deal about the parent and the target business on all levels including but not limited to the critical success factors of both (Campbell, Goold et al. 1995).
6.2.5 Heading 5: Are There Certain Traits/Attributes Which Make A Business More Competitive?

How important to effective competitiveness would you consider each of the following issues?

The respondents were asked to rank each of 21 traits on a scale of 1 – 5, very important to not important. The 21 traits were then scaled on the basis of sum and placed in the order of 1 – 21. The following table summarises the result of this scaling. In addition, each trait is considered individually in the order in which they were scaled.

Summation of ranking of traits scaled from 1 to 21: (continued over page)
### Table 6-14 - Traits for Competitiveness

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong leadership providing direction and focus for the company</td>
<td>78</td>
<td>20.5</td>
<td>.8</td>
<td>0</td>
<td>.8</td>
<td>1</td>
</tr>
<tr>
<td>Focusing on the customer</td>
<td>79.5</td>
<td>17.3</td>
<td>2.4</td>
<td>0</td>
<td>.8</td>
<td>2</td>
</tr>
<tr>
<td>Vision in setting the future course of the business</td>
<td>66.1</td>
<td>26.8</td>
<td>5.5</td>
<td>.8</td>
<td>.8</td>
<td>3</td>
</tr>
<tr>
<td>Creating the correct culture within a company</td>
<td>61.4</td>
<td>33.1</td>
<td>3.9</td>
<td>.8</td>
<td>.8</td>
<td>4</td>
</tr>
<tr>
<td>Being proactive not reactive</td>
<td>57.5</td>
<td>33.9</td>
<td>6.3</td>
<td>1.6</td>
<td>.8</td>
<td>5</td>
</tr>
<tr>
<td>Recognising the importance of employees</td>
<td>58.7</td>
<td>30.2</td>
<td>7.9</td>
<td>2.4</td>
<td>.8</td>
<td>6</td>
</tr>
<tr>
<td>Identifying core competencies and building the business upon these capabilities</td>
<td>51.2</td>
<td>40.9</td>
<td>5.5</td>
<td>.8</td>
<td>1.6</td>
<td>7</td>
</tr>
<tr>
<td>Flexibility so as to pursue new opportunities as recognised</td>
<td>44.9</td>
<td>43.3</td>
<td>7.9</td>
<td>3.1</td>
<td>.8</td>
<td>8</td>
</tr>
<tr>
<td>Accurate intelligence on competitors, customers and industry</td>
<td>44.9</td>
<td>34.6</td>
<td>13.4</td>
<td>5.5</td>
<td>1.6</td>
<td>9</td>
</tr>
<tr>
<td>Creating minimum bureaucracy</td>
<td>41.7</td>
<td>39.4</td>
<td>11.0</td>
<td>7.1</td>
<td>.8</td>
<td>10</td>
</tr>
<tr>
<td>Having a clear understanding of what business you are in and sticking to it</td>
<td>40.2</td>
<td>37.0</td>
<td>15.7</td>
<td>6.3</td>
<td>.8</td>
<td>11</td>
</tr>
<tr>
<td>Sustaining overall cost leadership, or differentiation, or focus</td>
<td>36.5</td>
<td>40.5</td>
<td>16.7</td>
<td>4.8</td>
<td>1.6</td>
<td>12</td>
</tr>
<tr>
<td>Establishing learning capabilities as a competitive advantage</td>
<td>31.5</td>
<td>45.7</td>
<td>15.7</td>
<td>5.5</td>
<td>1.6</td>
<td>13</td>
</tr>
<tr>
<td>A reward system that encourages innovation at all levels of a company</td>
<td>30.7</td>
<td>38.6</td>
<td>22.0</td>
<td>5.5</td>
<td>3.1</td>
<td>14</td>
</tr>
<tr>
<td>Creating drive and motivation to achieve to a level of almost obsession</td>
<td>26.4</td>
<td>46.4</td>
<td>13.6</td>
<td>10.4</td>
<td>3.2</td>
<td>15</td>
</tr>
<tr>
<td>Positioning within an industry based upon the competitive forces at work</td>
<td>22.6</td>
<td>44.4</td>
<td>22.6</td>
<td>8.1</td>
<td>2.4</td>
<td>16</td>
</tr>
<tr>
<td>Permitting divisions autonomy and the opportunity to develop entrepreneurial skills</td>
<td>20.3</td>
<td>44.7</td>
<td>23.6</td>
<td>8.1</td>
<td>3.3</td>
<td>17</td>
</tr>
<tr>
<td>Creating a system where employees may pursue innovations they may recognise</td>
<td>19.8</td>
<td>44.4</td>
<td>23.8</td>
<td>9.5</td>
<td>2.4</td>
<td>18</td>
</tr>
<tr>
<td>Understanding industry paradigms and having a willingness to challenge these</td>
<td>20.5</td>
<td>47.2</td>
<td>16.5</td>
<td>13.4</td>
<td>2.4</td>
<td>19</td>
</tr>
<tr>
<td>Organisational design as a function of the chosen strategy</td>
<td>15.0</td>
<td>40.2</td>
<td>28.3</td>
<td>13.4</td>
<td>3.1</td>
<td>20</td>
</tr>
<tr>
<td>Leveraging existing resources beyond their capacity as a means of excelling</td>
<td>15.9</td>
<td>31.7</td>
<td>34.9</td>
<td>13.5</td>
<td>4.0</td>
<td>21</td>
</tr>
</tbody>
</table>
Considering each of the individual traits in the order in which they are listed above:

6.2.5 - 1: How important to effective competitiveness is strong leadership providing direction and focus for the company?

6.2.5 - 1a: Considering the question submitted to respondents:

Andrews (ref. 2.4) believed that the future success of a business lay principally with the general manager, that is, with its leadership (Andrews 1971, p.2). In Quinn’s model of logical incrementalism (ref.2.8), management was responsible for the process by which he believed purposeful, political astute and effective strategies would emerge (Quinn 1977).

Peters and Waterman in their review of excellent companies found that for a company to excel it must, especially in its early days, be truly blessed with unusual leadership (Peters and Waterman 1982, p.81). One of the key eight traits that they noted companies must acquire was hands-on, value driven management with senior management being close to the business and living a culture of being involved and excelling (ibid., p.277-291).

Mintzberg in his model of crafting strategy (Mintzberg 1987b) noted that management in pursuing strategy must craft:

- thought and action,
- control and learning, and
- stability and change.

Within the various theses advanced by Hamel & Prahalad (ref. 2.14), management’s role was critical to the competitive success of the company as they were responsible for the development of strategic intent, core competencies, stretch and leverage and competing for the future (Hamel and Prahalad 1989), (Prahalad and Hamel 1990), (Hamel and Prahalad 1993), (Hamel and Prahalad 1994b).
6.2.5 - 1b: Statistical consideration of respondents' answers:
Respondents indicated that they believed leadership to be the most important trait of the 21 listed, ranking it number 1. Considering the frequencies 78% of respondents considered leadership very important and a further 20.5% considered it fairly important, a cumulative percentage of 98.5%.

Table 6-15 – Importance of Leadership

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong leadership providing direction and focus for the company</td>
<td>78</td>
<td>20.5</td>
<td>.8</td>
<td>0</td>
<td>.8</td>
<td>1</td>
</tr>
</tbody>
</table>

Figure 6-14 - Importance of Leadership

6.2.5 - 1c: Relating the responses to theory:
Tushman and O'Reilly in their research on the ability of companies to deal with change noted the importance of leadership. They considered coping with change was the real test of leadership as it required an ability to maintain competitiveness by being
able to deal with strategy and discontinuities in the environment. It was a test they
found that many leaders failed (Tushman and O'Reilly III 1996).

Heifetz and Laurie also believe that the role of leadership is critical in ensuring the
future of any business as its principal task is guiding the company through adaptive
change. Without leadership a company will not endure as who would hold the skill to
manage the adaptive change process (Heifetz and Laurie 1997).

Kotter in his work on leadership sought to distinguish between leadership and
management and saw these as two distinctive and complementary systems of action.
He described management as coping with the complexities in business whereas
leadership is concerned with coping with change, however, he noted that both are
dependent on the other for success. Having established the difference between
leadership and management, he went on to state that the reason why leadership is of
such critical importance to companies is because they face increasing levels of change;
more change always demands more leadership. Kotter concluded by noting that for
companies to continue to meet the challenge of change, a culture of leadership must
be created so as to breed the leaders required within the corporate world (Kotter
1990).

Teal believes that leadership is so extraordinarily difficult that few people can
undertake the task well even though they try their best. He believes that in educating
and training leaders too great a focus is placed on technical proficiency and too little
on character. Great leaders are those who have a gut understanding that leadership is
not mechanical but the task of human interaction. Great leadership requires:

➢ Imagination in vision and strategy
➢ Integrity and honour
➢ Respect for and an empowerment of subordinates
➢ A capacity to create excitement
➢ Heroism in meeting the challenge of leadership

(Teal 1996).
Building trust within a company is also a key aspect of leadership. In what is now termed the knowledge-based economy in which companies trade, an environment must be created where employees will volunteer their creativity and expertise. Such an environment can only be built on trust (Chan and Mauborgne 1997).

Given the boundless opportunities that exist in today’s market, leadership energy is a company’s most important resource that a company may own. Only through such energy can it direct and control its efforts to ensure a unified focus is maintained. Tools such as ROM (Return on management) should be used to measure leadership effectiveness (Simons and Davila 1998).

Farkas and Wetlauffer in their study of the way in which CEOs lead noted the presence of five distinct styles of leadership. The five styles identified were labeled strategy, human assets, expertise, box and change. Although the classification of the five styles is important, what is more important is the finding that those CEOs who failed to develop a consistent style of leadership or attempted to merge several styles together, appeared to achieve significantly less than their counterparts. Leadership required a consistent approach not so much reflecting a personality style, but relevant to the needs of the company so as to deliver clarity, consistency and commitment (Farkas and Wetlauffer 1996).

Bonn’s study of the strategic management practices of Australia’s largest 100 manufacturing companies found that some of the most significant problems that those companies faced were a lack of leadership and vision, a lack of accountability, lack of competency and commitment from senior management, lack of coordination between business units and a resistance to change by employees; all issues of leadership (Bonn 1996).
6.2.5 - 2: How important to effective competitiveness is focusing on the customer?

6.2.5 - 2a: Considering the question submitted to respondents:

Peters and Waterman, again in their work on excellent companies noted the critical importance of being close to the customer by providing unparalleled quality, service, and reliability, learning from the people who are served (Peters and Waterman 1982, p.119-199).

The persons interviewed during the qualitative stage of the research also emphasised the importance of focusing on the customer. It was their belief that such a focus would yield many business opportunities that would otherwise not be available.

6.2.5 - 2b: Statistical consideration of respondents’ answers:

Respondents indicated that they believed a focus on the customer to be the second most important trait of the 21 listed. Considering the frequencies, 79.5% of respondents considered customer focus very important and a further 17.3% considered it fairly important, a cumulative percentage of 96.8%.

Table 6-16 - Focus on the Customer

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focusing on the customer</td>
<td>79.5</td>
<td>17.3</td>
<td>2.4</td>
<td>0</td>
<td>.8</td>
<td>2</td>
</tr>
</tbody>
</table>
6.2.5 - 2c: Relating the responses to theory:

Normann and Ramirez in their work on reinventing value through a reconfiguration of relationships as a foundation to strategy also emphasised the importance of working closely with customers in creating this new value (Normann and Ramirez 1993).

Ohmae in his paper *Getting Back to Strategy* stated that strategy involved paying painstaking attention to customers’ needs (Ohmae 1988).

Hideo Sugiura of the Honda Motor Company attributed the company’s success in the global market to a focus on the customer and a policy of achieving maximum customer satisfaction. Honda’s customers were defined to include the entire society in which the firm operates (Sugiura 1990).

MacDonald in his examination of getting close to the customer, raised concerns over two possible dangers that he saw arising, they are:
Firstly, the possibility of government intervention should getting too close lead to reduced market competition, and

Secondly, the danger of reducing innovation where the tunnel vision forms with the focus being too strongly honed on a single customer or group of customers (Macdonald 1995).

6.2.5 - 3: How important to effective competitiveness is vision in setting the future course of the business?

6.2.5 - 3a: Considering the question submitted to respondents:

Andrews (ref. 2.4) noted that always being concerned for the future was one on the critical success factors of a manager (Andrews 1971, p.54).

Porter (ref. 2.9) believed that industry evolution as a critical factor in the formulation of strategy (Porter 1980, 156-188).

Hamel & Prahalad believed that management must clearly focus on the future with a shared vision of what that future will be like so as to create a synthesis of visionary pursuits. Hamel & Prahalad defined vision as not merely dreams or aspirations but industry foresight based upon deep insights to trends in technology, demographics, regulations, and lifestyles, which can be harnessed to rewrite industry rules and create new competitive space (Hamel and Prahalad 1994b, p.128).

6.2.5 - 3b: Statistically consideration of respondents’ answers:

Respondents indicated that they believed vision to be the third most important trait of the 21 listed. Considering the frequencies, 66.1% of respondents considered vision very important and a further 26.8% considered it fairly important, a cumulative percentage of 92.9%.
Table 6-17 - Importance of Vision

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision in setting the future course of the business</td>
<td>66.1</td>
<td>26.8</td>
<td>5.5</td>
<td>.8</td>
<td>.8</td>
<td>3</td>
</tr>
</tbody>
</table>

Figure 6-16 - Importance of Vision

6.2.5 - 3c: Relating the responses to theory:

Kotter in his work on change noted that vision was critical if transformation were to be successful. He believed that management must:

- Create a vision to help direct the change effort as well as strategies to achieve such vision,
- Communicate that vision using every possible vehicle available, and
- Empower others to act on the vision by removing obstacles to change (Kotter 1995, p.61).
Prahalad & Hamel in discussing strategic management paradigms noted that in the last 10 years the competitiveness of the best-managed firms from the 1970's and early 1980's have dramatically declined. They attribute this deterioration to the inability of their managers to foresee the future – they had no vision (Prahalad and Hamel 1994, p.6).

Schoemaker believed that vision was of strategic importance. He believed that it was necessary to create a clear relationship between vision and a complex set of factors that included industry history and structure, core capabilities of the company and it’s competitors, and the various segments in which the company competes. He proposed four steps in this process:

➢ generate broad scenarios of possible futures,
➢ undertake competitive analysis of industry and segments,
➢ analyse the company’s and its competitors’ core competencies, and
➢ thereby develop strategic vision and options.
(Schoemaker 1992, p.67).

Schoemaker believed the adoption of this process would produce a robust and resilient vision that which would enhance the company’s future survival (ibid., p.80).

Bhide through his research on strategy noted that vision provided a far superior framework for strategy than detailed planning which often served merely as a prison and source of excuses. He saw vision as the glue that held a company and its many diverse and unrelated activities together and provided for continuity in the face of turbulence (Bhide 1986, p.65).

Ghoshal and Mintzberg through their work on diversification identified some of the dangers that the concept of vision may hold. They noted that the creation of a unique vision and shared culture was seen by many to be the first step in the process of corporate transformation. However, they warned that visions and shared culture are empty if not supported by a solid base, strong core, and a substantial bulk. Uniqueness of vision may provide energy and commitment, however, there must also be strong
performance orientation, otherwise there will be no teeth or shared tasks without which there can be no shared culture (Ghoshal and Mintzberg 1994, p.25).

Collins and Porras in their studies of corporate vision noted that many companies sought vision but simply didn’t understand what it was and were often left with mission statements that did little to inspire or direct (Collins and Porras 1991, p.31). Collins and Porras believed that vision was something that was set for all levels of a company and consisted of two major elements, as it’s broadest level. These elements were:

- **Guiding Philosophy**: the birth of vision starts with its guiding philosophy that permeates the entire company affecting all decisions, policies, and actions. It can be called that company’s *philosophy of life* representing its most fundamental motivating assumptions, principles, values, and tenets. The guiding philosophy will develop with the company over time but its core values, beliefs and purpose must always be preserved (ibid., p.31-42).

- **Tangible Image**: being the concreteness that is required in vision. This is achieved through tangible image consisting of firstly, a mission that clearly focuses the efforts of the company, and secondly, a vivid description that enables the mission to be brought to life and made engaging (ibid., p.42).

Collins & Porras also believed that visionary companies arose not from the presence of a visionary charismatic leader but rather, from a leader who acts as a catalysis in creating a clear and shared vision thereby securing commitment and vigour in its pursuit (ibid, p.51). In their words, *A high-profile, charismatic style is absolutely not required to successfully shape a visionary company* (Collins and Porras 1995, p.88).

Once a visionary company has been created then a continual flow of great products and services will be achieved reflecting the outstanding success as a visionary company (ibid., p.87). Further, visionary companies enjoy the rare ability to balance continuity with change. This arises from their consciously practiced discipline of adhering to their guiding philosophy closely linked to their ability to know their purpose. They know what to preserve and what to change (Collins and Porras 1996).
6.2.5 - 4: How important to effective competitiveness is creating a culture within a company?

6.2.5 - 4a: Considering the question submitted to respondents:

A business’s culture will determine the manner in which employees will respond to critical issues confronting the business. Therefore, it becomes important that a company be able to influence how employees act and react in their business environment. A business’ culture underpins a business’ competitiveness (Shapnel and Gottliebsen 1999).

6.2.5 - 4b: Statistical consideration of respondents’ answers:

Respondents indicated that they believed culture to be the fourth most important trait of the 21 listed. Considering the frequencies, 61.4% of respondents considered culture very important and a further 33.1% considered it fairly important, a cumulative percentage of 94.5%.

Table 6-18 - Importance of Culture

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating the correct culture within a company</td>
<td>61.4</td>
<td>33.1</td>
<td>3.9</td>
<td>.8</td>
<td>.8</td>
<td>4</td>
</tr>
</tbody>
</table>
6.2.5 - 4c: Relating the responses to theory:

Culture represents the invisible force behind the tangible and observable in any company. It explains the gap between what management may decree and what actually takes place. The most effective way to make a company successful is to have a culture that influences all members to pursue the most effective approach, attitude and behaviour for competitiveness (Kilman, Saxton et al. 1985).

Culture concerns the atmosphere and feeling a company has and the style in which things get done. A company’s culture emerges from the:

- why and how it does things,
- values and beliefs senior managers espouse,
- ethical standards expected,
- tone and philosophy underlying key policies, and
- tradition it maintains.

(Thompson and Strickland 1990, p.280).
Peters and Waterman in their work on excellent companies identified eight traits that all excellent companies shared. Those eight traits were all part of the culture of those companies (Peters and Waterman 1982).

Sugiura relates the global success of Honda to the company’s ability to transfer their corporate culture to their various operations around the world (Sugiura 1990, p.82).

Katzenbach and Santamaria in their study of companies that rely heavily upon their front line workers found that those that elicited superior performance from their workers had a series of common practices. The first of these was the over-investment that they made in instilling and cultivating corporate core values in the workers. These core values gave the workers a mission, pride and values and underpinned their work practices (Katzenbach and Santamaria 1999).

Greiner in considering culture, from a slightly different perspective, notes that the influence of a company’s history is a powerful factor that affects its performance. Management must understand clearly the history of a company, the impact that history has had and where it presently is in its development before any meaningful strategy may be created (Greiner 1998).

6.2.5 - 5: How important to effective competitiveness is being proactive not reactive?

6.2.5 - 5a: Considering the question submitted to respondents:

Peters and Waterman (ref. 2.11) in their research of excellent companies established eight rules of excellence that were the traits they felt those excellent companies all exhibited. The first of these traits was a bias for action, that is, not being paralysed by analysis and making sure the job gets done (Peters and Waterman 1982, p.119-155).
Collins and Porras in their work on visionary companies also noted that successful companies had the trait of persistence, of never giving up. They may well kill, revise or evolve an idea but they never give up on their company (Collins and Porras 1995, p.86).

6.2.5 - 5b: Statistical consideration of respondents’ answers:

Respondents indicated that they believed being proactive not reactive to be the fifth most important trait of the 21 listed. Considering the frequencies, 57.5% of respondents considered being proactive very important and a further 33.9% considered it fairly important, a cumulative percentage of 91.4%.

Table 6-19 - Being Proactive not Reactive

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Being proactive not reactive</td>
<td>57.5</td>
<td>33.9</td>
<td>6.3</td>
<td>1.6</td>
<td>.8</td>
<td>5</td>
</tr>
</tbody>
</table>

Figure 6-18 - Being Proactive not Reactive
6.2.5 - 6: How important to effective competitiveness is recognising the importance of employees?

6.2.5 - 6a: Considering the question submitted to respondents:
The fourth trait that Peters and Waterman identified in their research of excellent companies was that of productivity through people, that is, treating rank and file workers as the root source of quality and productivity gain (Peters and Waterman 1982, p.235-278).

6.2.5 - 6b: Statistical consideration of respondents’ answers:
Respondents indicated that they believed recognising the importance of employees to be the sixth most important trait of the 21 listed. Considering the frequencies, 58.7% of respondents considered employees very important and a further 30.2% considered it fairly important, a cumulative percentage of 88.9%.

Table 6-20 - Recognising the Importance of Employees

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognising the importance of employees</td>
<td>58.7</td>
<td>30.2</td>
<td>7.9</td>
<td>2.4</td>
<td>.8</td>
<td>6</td>
</tr>
</tbody>
</table>

Figure 6-19 - Recognising the Importance of Employees
6.2.5 - 6c: Relating the responses to theory:

Collins and Porras recognised that in visionary companies it was not a single person that made the company, but rather it was the outstanding company consisting of all the employees that continuously produced superb individuals to lead (Collins and Porras 1995, p.90).

Pfeffer in his work *Competitive Advantage Through People* noted that of the five top performing American companies from 1972 to 1992, all had one common competitive trait that they all shared. In sustaining their competitive advantage they relied not upon positioning, technology, patents or like, rather they relied on the management of their workforce (Pfeffer 1994, p.10).

Arie de Geus in his study of longevity in companies, that is, why some companies can compete and survive over many generations while most cannot survive even one generation, noted the importance of employees. Companies that had a short life span focused their thinking on the economics of the business; they thought in terms of producing goods and services. Companies with longevity thought of themselves as a community of human beings, regardless of what business they may presently be in, where the focus was staying alive and the welfare of its employees (de Geus 1997).

Stroh and Reilly in their study of manager loyalty in the early 90s, noted that the loyalty of managers to their companies has continued to diminish as companies have maintained a policy of profits first. Given the growing focus of the importance of employee commitment the question must be asked, how long will be before companies reverse their apparent apathy to employees? (Stroh and Reilly 1997).
6.2.5 - 7: How important to effective competitiveness is identifying core competencies and building the business upon these capabilities?

6.2.5 - 7a: Considering the question submitted to respondents:

Hamel & Prahalad in their paper the Core Competence of a Corporation (Prahalad and Hamel 1990) described core competencies as the wellspring of new business development and the focus of strategy at corporate level. They considered that any company that intended to be globally competitive must develop core competencies as the foundation of their strategy.

6.2.5 - 7b: Statistical consideration of respondents’ answers:

Respondents indicated that they believed core competencies to be the seventh most important trait of the 21 listed. Considering the frequencies, 51.2% of respondents considered core competencies very important and a further 40.9% considered it fairly important, a cumulative percentage of 92.1%.

Table 6-21 - Core Competencies

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifying core competencies and building the business upon these capabilities</td>
<td>51.2</td>
<td>40.9</td>
<td>5.5</td>
<td>.8</td>
<td>1.6</td>
<td>7</td>
</tr>
</tbody>
</table>

Figure 6-20 - Core Competencies
6.2.5 - 7c: Relating the responses to theory:

The meaning and role of core competencies as developed by Hamel and Prahalad has been dealt with in detail at ref. (2.14.2) and also ref. (6.2.4 - 1).

Quinn and Hilmer recommend strategic outsourcing as a means of building core competencies (Quinn and Hilmer 1994). Once a company has recognised the importance of these core competencies its next step is to maximise the company’s ability to focus on these competencies. This may be achieved by leveraging through:

- identifying core competencies which the company intends to develop,
- focusing management and investment attention of those competencies, and
- outsource other activities that are non essential being non strategically critical or for which the requisite special capabilities are not held.

(抜, p.55).

Those activities that may be outsourced can be identified by determining which:

- offer little potential for obtaining competitive advantage,
- hold a low vulnerability potential should that outsourced activity not be performed to standard, or
- provide scope to minimise the vulnerability through supplier arrangements.

(抜, p.48).

A recent study of core competencies within leading multinational companies found that companies that had already established their positions, were continuing to develop their competencies and in fact were attempting to build layers of competencies. They also noted that the focus in competencies was evolving from internal technologies, to process competencies, to external relationship competencies (Mascarenhas, Baveja et al. 1998).
6.2.6 - 8 How important to effective competitiveness is flexibility so as to pursue new opportunities as recognised?

6.2.6 - 8a Considering the question submitted to respondents:

Quinn (ref. 2.8) in his work on logical incrementalism in strategy making described a process where a commitment to strategy was not made until management had gained a sufficient understanding through learning of the change occurring. Further, not only must flexibility exist while a strategy is being developed it must also be structured into the new strategy (Quinn 1980, p.4-9).

Mintzberg’s (ref. 2.13) in his development of the concept of deliberate and emergent strategies has elements in common with that of Quinn. Mintzberg recognises the importance of strategies emerging through strategic learning and building flexibility into strategy (Mintzberg and Waters 1985).

Peters and Waterman’s (ref. 2.11) in their review of excellent companies noted that the concept of organisational flexibility (they use the term fluidity) is not new. However, they went on to highlight that in excellent companies flexibility is not just talked about but is quite evident and they know how to use it (Peters and Waterman 1982, p.121).

Hamel and Prahalad in their book Competing for the Future noted the importance of maintaining a position of flexibility and adaptiveness so that new innovations, new ways of doing the same business or new ways of thinking can be pursued when recognised (Hamel and Prahalad 1994a, p.70).

6.2.6 - 8b: Statistical consideration of respondents’ answers:

Respondents indicated that they believed flexibility to be the eighth most important trait of the 21 listed. Considering the frequencies, 44.9% of respondents considered flexibility very important and a further 43.3% considered it fairly important, a cumulative percentage of 88.2%.
Table 6-22 - Importance of Flexibility

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexibility so as to pursue new opportunities as recognised</td>
<td>44.9</td>
<td>43.3</td>
<td>7.9</td>
<td>3.1</td>
<td>.8</td>
<td>8</td>
</tr>
</tbody>
</table>

Figure 6-21 - Importance of Flexibility

6.2.6 - 8c: Relating the responses to theory:

Mintzberg et al. believed that flexibility was one of the criteria necessary for effective strategy making. They believed that strategies should have *purposely built resource buffers and dimensions for flexibility and maneuverability* (Mintzberg, Quinn et al. 1995, p.13).

Stalk et al. in their work on strategy noted that strategy must be dynamic and described it as by saying *competition is a war of movement*. In a competitive environment, the essence of strategy is not the structure of the company’s products or markets but rather the dynamics of its behaviour (Stalk, Evans et al. 1992, p.62).
Barringer & Bluedorn in their study of strategic management practices and entrepreneurship in American manufacturing companies, noted that there existed a clear inverse relationship between the flexibility and locus of planning and entrepreneurship. Those companies that centralised planning and within which variations from planning were scorned exhibited lower levels of entrepreneurship and were unlikely to pursue opportunities as recognised. The study also noted a positive correlation between the level of scanning and entrepreneurial activity (Barringer and Bluedorn 1999).

A study of competition in what is presently called the new economy, found that the most important competitive traits that must be built are:

- speed in reaching uncontested ground,
- flexibility to pursue opportunities, and
- the use of leverage against stronger opponents.

(Yoffie and Cusumano 1999).

Flexibility in organisations requires management to move from a historically strongly analytical approach where everything is seen as percentages or numbers to a more interpretive approach. Under this interpretive approach management seeks to listen, talk and discern thereby gaining an understanding of what is occurring and plotting an appropriate course (Lester, Piore et al. 1998).

6.2.5 - 9: How important to effective competitiveness is accurate intelligence on competitors, customers and industry?

6.2.5 - 9a: Considering the question submitted to respondents:

Porter in his book Competitive Strategy (Porter 1980) noted the importance of intelligence and devoted three chapters to related areas; competitor analysis, market signals and competitive moves.
Drucker in his paper on *The Information Executives Truly Need* noted that in examining industries over a 50 year period that have been transformed by important new technologies, he found at least 50% of those technologies came from outside that industry. He further noted that despite this fact only a few multinationals have built intelligence systems that gather data from outside their industry (Drucker 1995, p.65).

**6.2.5 - 9b: Statistical consideration of respondents’ answers:**

Respondents indicated that they believed intelligence gathering to be the ninth most important trait of the 21 listed. Considering the frequencies, 44.9% of respondents considered intelligence gathering very important and a further 34.6% considered it fairly important, a cumulative percentage of 79.5%.

**Table 6-23 - Importance of Accurate Intelligence**

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accurate intelligence on competitors,</td>
<td>44.9</td>
<td>34.6</td>
<td>13.4</td>
<td>5.5</td>
<td>1.6</td>
<td>9</td>
</tr>
<tr>
<td>customers and industry</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Figure 6-22 - Importance of Accurate Intelligence**
6.2.5 - 9c: Relating the responses to theory:
Gilad and Gilad undertook an examination of business intelligence systems and through this examination noted that although intelligence gathering was important, the attempts of many companies in this respect had failed. They attributed these failures to the fact that companies did not gain the support of the whole company in the commitment to collect data and the value of the systems (Gilad and Gilad 1986).

A further study of intelligence gathering by Ghoshal and Kim also found that although effective intelligence was an important competitive advantage many companies failed to achieve its full benefit. They also attributed these failures to the lack of company-wide commitment. However, they believed that this lack of commitment was in part due to the fact that the information produced by the system was not real time, was not strategically focused or in a user friendly form (Ghoshal and Kim 1986).

6.2.5 - 10: How important to effective competitiveness is creating a minimum bureaucracy?

6.2.5 - 10a: Considering the question submitted to respondents:
The seventh trait identified by Peters and Waterman in the examination of excellent companies was simple form, lean staff; simple organisational structure and minimum head office staffing (Peters and Waterman 1982, p.306-317).

Again the persons interviewed during the qualitative phase of the research all emphasised the importance of hands on management and no bureaucracy.

6.2.5 - 10b: Statistical consideration of respondents’ answers:
Respondents indicated that they believed minimum bureaucracy to be the tenth most important trait of the twenty-one listed. Considering the frequencies, 41.7% of respondents considered minimum bureaucracy very important and a further 39.4% considered it fairly important, a cumulative percentage of 81.1%.
Table 6-24 - Minimum Bureaucracy

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating minimum bureaucracy</td>
<td>41.7</td>
<td>39.4</td>
<td>11.0</td>
<td>7.1</td>
<td>.8</td>
<td>10</td>
</tr>
</tbody>
</table>

Figure 6-23 - Minimum Bureaucracy
6.2.5 - 11: How important to effective competitiveness is having a clear understanding of what business you are in and sticking to it?

6.2.5 - 11a: Considering the question submitted to respondents:

The sixth trait noted by Peters and Waterman in their study of excellent companies was *stick to the knitting*; only being in the business which the company knows well (Peters and Waterman 1982, p.292-305).

During the interviews conducted as part of the qualitative research, an issue of importance commonly raised by the interviewees was that a company should always keep to the business it knows and grow from that base geographically or into allied activities. Attempts to move into new activities had proven unsuccessful for many of the persons interviewed. A further emphasis also made was that a very clear understanding must exist of what business the company is really in.

6.2.5 - 11b: Statistical consideration of respondents’ answers:

Respondents indicated that they believed sticking to your business to be the eleventh most important trait of the twenty-one listed. Considering the frequencies, 40.2% of respondents considered sticking to your business very important and a further 37.0% considered it fairly important, a cumulative percentage of 77.2%.

Table 6-25 - Sticking to your knitting

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Having a clear understanding of what business you are in and sticking to it</td>
<td>40.2</td>
<td>37.0</td>
<td>15.7</td>
<td>6.3</td>
<td>.8</td>
<td>11</td>
</tr>
</tbody>
</table>
6.2.5 - 12: How important to effective competitiveness is sustaining overall cost leadership, or differentiation, or focus?

6.2.5 - 12a: Considering the question submitted to respondents:

The three generic strategies of cost leadership, differentiation and focus form an integral part of Porter's industry based strategy thesis. (ref. 2.9).

6.2.5 - 12b: Statistical consideration of respondents’ answers:

Respondents indicated that they believed these generic strategies to be the twelfth most important trait of the twenty-one listed. Considering the frequencies, 36.5% of respondents considered minimum bureaucracy very important and a further 40.5% considered it fairly important, a cumulative percentage of 77%.
Table 6-26 - Porter Generic Strategies

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustaining overall cost leadership, or differentiation, or focus</td>
<td>36.5</td>
<td>40.5</td>
<td>16.7</td>
<td>4.8</td>
<td>1.6</td>
<td>12</td>
</tr>
</tbody>
</table>

Figure 6-25 - Porter Generic Strategies

6.2.5 - 12c: Relating the responses to theory:
Porter in his paper What is Strategy noted that in recent years there has been a movement by companies away from building sustainable competitive advantage to a focus where issues of operational effectiveness are most important. Porter believed that this shift in focus was bringing many industries to what he termed competitive convergence. He emphasised the importance of re-establishing the need for strategy
based upon building sustainable competitive advantage and the restoration of operational issues to their correct arena (Porter 1996).

Ghemawat in his review of sustainable competitive advantage noted the strategic importance of a company committing themselves to a position of building sustainable advantage. However, he went on to also emphasise the equal importance of maintaining that advantage once established while also ensuring flexibility to compete in other ways should that advantage be eroded (Ghemawat 1986).

Aaker stated that the key to sustaining competitive advantage lies in ensuring any advantage has its foundation in the company’s assets and skills. Development and maintenance may then continue through a focus on these asset and skills, with strategies drawn from this focus so as to neutralise competitors’ assets and skills (Aaker 1989).

Kotha & Vadlamani’s research of generic strategies found that many researchers have questioned the validity of Porter’s model of the three generic strategies stating that, the generic strategies are:

➢ not mutually exclusive,
➢ not exhaustive and stifle competitiveness, and
➢ are too simplistic for global markets.

Kotha & Vadlamani’s concluded that although Porter’s model was originally valid, that in the current competitive environment is not sufficiently robust and that a more detailed model is required (Kotha and Vadlamani 1995, p.76,81,82).
6.2.5 - 13: How important to effective competitiveness is establishing learning capabilities as a competitive advantage?

6.2.5 - 13a: Considering the question submitted to respondents:
Senge through his work on learning organisations supports the thesis that the rate at which companies learn may become the only sustainable source of competitive advantage and therefore believes that companies should build learning capabilities as a competitive strategy (Senge 1990, p.7).

6.2.5 - 13b: Statistical consideration of respondents’ answers:
Respondents indicated that they believed building learning capabilities to be the thirteenth most important trait of the twenty-one listed. Considering the frequencies, 31.5% of respondents considered learning capabilities very important and a further 45.7% considered it fairly important, a cumulative percentage of 77.2%.

Table 6-27 - Learning Capabilities

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishing learning capabilities as a competitive advantage</td>
<td>31.5</td>
<td>45.7</td>
<td>15.7</td>
<td>5.5</td>
<td>1.6</td>
<td>13</td>
</tr>
</tbody>
</table>

Figure 6-26 - Learning Capabilities
6.2.5 - 13c: Relating the responses to theory:

Learning organisations are those that focus on the development of both:

➢ generative learning skills where learning is focused on creative ability and
  requires a new way of looking at the world, whether it be understanding
  customer behaviour or simply better business management skills, and

➢ adaptive learning skills where learning is focused on coping with the present.
  (ibid., p.8).

Leadership must drive the move to become a learning organisation through the use of
creative tension. Creative tension arises out of the gap generated by everyone in the
company clearly seeing where the company wants to be (its vision) and telling the
truth about where the company is presently at (current reality) (ibid., p.9).

In viewing the current reality the aim is to move the members of the company from
merely identifying events that only permit reactive behaviour, to identifying patterns
of behaviour that will allow responsive behaviour, to identifying the systemic
structure (that is, the cause of patterns of behaviour) that will then create generative
behaviour (ibid., p.12).

Senge believes the role of leaders should be expanded so as to enable the building of
learning skills. Their additional roles should include that of:

➢ designer, in designing governing ideas or purpose, vision and core values by
  which people will live,

➢ teachers, through helping everyone in the company including themselves gain
  a greater insight of the current reality, and

➢ steward for the people they lead and for the purpose that underlies the
  company.
  (ibid., p.10-12).

The new skills that will be required of leaders to fulfill these new roles, are the skills
to:

➢ build shared visions within the entire company,
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➢ bring into the open and challenge existing mental models, and
➢ engage in systems thinking.

(ibid., p.13).

Garvin in his work on building a learning organisation believed that most corporations were not succeeding in this task as the existing theory of learning organisations was far too abstract (Garvin 1993, p.79). Garvin believed the starting point was to properly define what it was you were attempting to achieve and with this in mind he defined a learning organisation as: an organisation skilled at creating, acquiring, and transferring knowledge, and at modifying its behaviour to reflect new knowledge and insights (ibid., p.80). Garvin also found that a major stumbling block for many companies was its ability to use acquired knowledge because of its inability to achieve change (ibid., p.80).

Once a clear definition of a learning organisation is to hand, the next task is for management to establish clear operational guidelines. In this respect they have five skills that must be developed:
➢ systematic problem solving,
➢ experimentation with new approaches,
➢ learning from past experience,
➢ learning from the best practices of others, and
➢ transferring knowledge quickly and efficiently throughout the organisation

Once these skills were developed the final task at hand was measurement so that the rate of learning may be gauged. (ibid., p.81-87, 89).

Zack considered that knowledge is the fundamental basis of competition. Competing successfully therefore required either an aligning strategy to what the company knows or developing the knowledge and capabilities needed to support a desired strategy. Accordingly, companies must strategically assess their stock of knowledge and capabilities and address gaps that are discovered (Zack 1999).
Fahey & Prusak in their study of knowledge management highlight the importance of recognising that knowledge is tentative, temporary and subject to change. Accordingly, they believe that management must continually reflect on knowledge as an organisation phenomenon, be obsessive in noting and correcting errors in what they think they know and be vigilant in generating, moving and leveraging knowledge throughout their company (Fahey and Prusak 1998).

Chan & Mauborgne note that in today’s economy where the primary resource base is knowledge, that collective knowledge building by a company is a key strategic task for competitive success (Chan and Mauborgne 1998).

One final aspect of learning that is worthy of note is the role of learning in strategic alliances. A company who benefits from a strategic alliance is one that can learn from their partners and thereby develop their own company’s skills and capabilities. To achieve such, the focus of each partner within an alliance must be one of learning (Contractor and Lorange 1988), (Hamel, Doz et al. 1989), (Hamel 1991), (Lei and Slocum Jnr. 1992), (Kanter 1994), (Bleeke and Ernst 1995).

Accordingly, the success in alliances may well hinge upon the learning capabilities of each partner. Given the major benefit of learning within alliances, if one of the partners is not gaining a fair share of learning the alliance will not survive (Khanna, Gulati et al. 1998).

6.2.5 - 14: How important to effective competitiveness is a reward system that encourages innovation at all levels of a company?

6.2.5 -14a: Considering the question submitted to respondents:

Andrews (ref. 2.4) in his work on strategy making noted the importance of recognising and managing those factors that influence behaviour within a company. He believed that these factors must be considered in the implementation of a given strategy so as to ensure that they promote adherence to the strategy and not detract from it. Rewards
and incentives were amongst the factors that he believed must be considered in managing behaviour (Andrews 1971, p.197).

Peters & Waterman (ref. 2.11) in their examination of excellent companies noted the reward system at 3M encouraged and supported innovation by employees. As the product advanced in gross sales value so did the rewards paid to the championing individual (Peters and Waterman 1982, p.227).

Chakravarthy and Lorange in their book Managing the Strategy Process also noted the importance of rewards and incentives in strategy making (Chakravarthy and Lorange 1991).

6.2.5 - 14b: Statistical consideration of respondents’ answers:

Respondents indicated that they believed creating a reward system that encourages innovation at all levels of a company to be the fourteenth most important trait of the twenty-one listed. Considering the frequencies, 30.7% of respondents considered rewarding innovation very important and a further 38.6% considered it fairly important, a cumulative percentage of 68.3%.

Table 6-28 - Importance of Rewarding Innovation

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>A reward system that encourages innovation at all levels of a company</td>
<td>30.7</td>
<td>38.6</td>
<td>22.0</td>
<td>5.5</td>
<td>3.1</td>
<td>14</td>
</tr>
</tbody>
</table>
6.2.5 - 14c: Relating the responses to theory:

Thompson and Strickland note that rewards and incentives are the single most powerful tool available to management to influence employee behaviour (Thompson and Strickland 1990, p.279).

Collins and Porras when providing examples of how visionary companies encourage innovation noted the comments of Dave Packard (Hewlett & Packard) who stated that the crux of the issue laid in creating an environment in which individuals can be creative. An important factor in such an environment must be rewards (Collins and Porras 1995, p.86).

Amabile in her study organisational creativity found that the primary source of innovation within a company was the creativity of individuals and teams of individuals within that company. Further, that one of the most influential elements
affecting individual creativity was the work environment within which an individual sought to express their creativity (Amabile 1997).

Pfeffer found that individually based incentives generally fail to improve overall performance and may well result in reduced performance within groups. This is principally due to the appearance of inequity and favouritism that creeps into these systems. Internally based incentives (job satisfaction etc.) are also often held in greater esteem than mere financial rewards (Pfeffer 1998b).

A study of creativity in companies found that six elements were necessary to instill creativity. These six elements were, the:

- right level of knowledge
- intellectual abilities to generate, evaluate and execute ideas
- thinking styles that favour innovative approaches
- motivation to continue pursuing the idea
- personality, determination and persistence to overcome obstacles, and
- environment that supports risk-taking

Reward systems in a company must be structured to promote and encourage each of these elements (Sternberg, O'Hara et al. 1997).

The reward system that encourages innovation must be company-wide as the most effective innovation strategies require a management of creative tension through the interaction of persons with varying backgrounds and thinking styles. To get the most from your innovation processes everyone must be challenged in their thoughts and actions. This process is achieved by ensuring innovation occurs in team environments which have a balance of different types of people so that they don’t all think and act the same. These people must be drawn from all levels of a company (Leonard and Straus 1997).

Finally, it is worth noting recent research confirming the importance of reward dispersion on individual and group performance. Where rewards are widely dispersed
(large difference between upper and lower levels) performance was found to be lower than where it was held more tightly (Bloom 1999).

6.2.5 - 15: How important to effective competitiveness is creating drive and motivation to achieve to a level of almost obsession?

6.2.5 - 15a: Considering the question submitted to respondents:
Hamel & Prahalad (ref. 2.14) published in 1989 a paper title Strategic Intent. The thesis of strategic intent is that management must create an obsession, at all levels of an organisation, with winning which is out of all proportion to existing capabilities and maintain and develop such obsession over 10 to 20 years (Hamel and Prahalad 1989). Ref. (2.14.1) for thorough examination of strategic intent.

6.2.5 - 15b: Statistical consideration of respondents answer:
Respondents indicated that they believed creating drive and motivation to a level of obsession to be the fifteenth most important trait of the twenty-one listed. Considering the frequencies, 26.4% of respondents considered drive and motivation to the level of obsession very important and a further 46.4% considered it fairly important, a cumulative percentage of 61.8%. 13.6% of respondents considered this trait to be not so important - not important.

Table 6-29 - Creating Drive & Motivation

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating drive and motivation to achieve to a level of almost obsession</td>
<td>26.4</td>
<td>46.4</td>
<td>13.6</td>
<td>10.4</td>
<td>3.2</td>
<td>15</td>
</tr>
</tbody>
</table>
6.2.5 - 16: How important to effective competitiveness is positioning within an industry based upon the competitive forces at work?

6.2.5 - 16a: Considering the question submitted to respondents:

Porter's work (ref. 2.9) in strategy making was centered on the importance of industry selection and recognizing the forces of competition working within that industry. Porter's work is the most widely cited publication in strategic management literature (Powell 1996, p.331). The essence of Porter's works lies in the thesis that the intensity of competition within an industry is a direct outcome of the underlying economic structure of that industry. The task of strategy making therefore becomes positioning oneself within an industry where defences are the strongest and where industry forces may be favourable influenced (Porter 1979, p.137).
6.2.5 - 16b: **Statistical consideration of respondents' answers:**

Respondents indicated that they believed positioning within an industry to be the sixteenth most important trait of the twenty-one listed. Considering the frequencies, 22.6% of respondents considered positioning very important and a further 44.4% considered it fairly important, a cumulative percentage of 67.0%. 10.5% considered the trait to be not so important – not important.

**Table 6-30 - Positioning within an Industry**

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positioning within an industry based upon the competitive forces at work</td>
<td>22.6</td>
<td>44.4</td>
<td>22.6</td>
<td>8.1</td>
<td>2.4</td>
<td>16</td>
</tr>
</tbody>
</table>

**Figure 6-29 - Positioning within an Industry**
6.2.5 - 16c: Relating the responses to theory:

There are many studies that have sought to consider the influence of industry membership on a business unit’s profitability, a selection of these are as follows:

Rumelt in his work on the importance of industry disagreed with Porter’s thesis. Rumelt’s research reflected that the most important determinant of business profitability was not industry membership but rather the capability of that business. He found that the particular industry in which a business resided was of much less importance than capability and further, that corporate parentage was even less important (Rumelt 1991).

Baden-Fuller & Stopford in their research on industry confirm Rumelt’s views. They found that:

- little difference existed in the profitability of one industry versus another,
- mature industries don’t exist, only mature companies who can no longer see the innovative opportunities that exist, and
- profitable industries are populated by innovative firms.

(Baden-Fuller and Stopford 1992).

Powell in his review of industry found that only 20% of a firm’s performance can be attributed to factors related to industry membership. The remaining 80% may be attributed to idiosyncratic and firm-specific resources (Powell 1996).

Industry organisation researchers such as Porter have argued that strategy and performance are primarily determined by the membership of an industry, and are sustained principally through entry barriers, (Mauri and Michaels 1998, p.213). Others such as Rumelt have argued against these beliefs. The findings of the research by Mauri & Michaels supported that of Rumelt. It is a company’s unique resource endowments, and not the participation in a particular industry, that are the cause of differences in performance (ibid., p.217).
Mauri & Michaels research suggests that companies competing in the same industry tend to develop homogeneous competitive strategies for investing in technology and marketing resources. Barriers to imitation depend on the degree of observability of a resource with companies dedicating significant attention to competitor's core resource allocations. However, easily implementable strategies such as the allocation of funds for research and development and advertising cannot provide competitive advantage. The existence of convergent competitive patterns with respect to easy-to-observe variables confirms the competitive value of the difficult-to-observe resources (ibid., p.216).

The studies of Brush, Bromiley, and Hendrickx on the performance of business units within corporations confirmed Rumelt's conclusion that industry membership was not a significant factor in explaining variances in profit but disagreed with his conclusion as to the importance of parentage. Their research varied with that undertaken by Rumelt in that their research targeted companies that had 3 to 4 business units. They found that parentage did in part explain variances between business units' profits (Brush, Bromiley et al. 1999). Other studies have recommended that caution is used in generalising Rumelt's findings too widely and that parentage may not be as insignificant as first thought (Brush and Brommiley 1997).

Later studies by McGahan and Porter across a wide section of industries and over a longer period of time than Rumelt's studies, found that given the breadth and length of sample, then industry became a significant factor in determining business unit profitability (Mc.Gahan and Porter 1997).

On a final note on the importance of industry and considering the issue from a different perspective is the study by Makadok of Money Market Mutual Funds. The study examined the advantages of first movers and early movers and noted that those companies that were first into a market gained an advantage that was very difficult for late comers to negate. It would therefore appear that the selection of an industry in which you would be the first entrant be correct positioning (Makadok 1998).
6.2.5 - 17: How important to effective competitiveness is permitting divisions’ autonomy and the opportunity to develop entrepreneurial skills?

6.2.5 - 17a: Considering the question submitted to respondents:
The third trait that Peters and Waterman identified in their study of excellent companies was autonomy and entrepreneurship; fostering many leaders and innovators throughout the company (Peters and Waterman 1982, p.200-234).

6.2.5 - 17b: Statistical consideration of respondents’ answers:
Respondents indicated that they believed permitting divisions autonomy to pursue activities to be the seventeenth most important trait of the twenty-one listed. Considering the frequencies, 20.3% of respondents considered autonomy very important and a further 44.7% considered it fairly important, a cumulative percentage of 65.0%. 11.4% considered the trait to be not so important – not important.

Table 6-31 – Permitting Divisions Autonomy

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permitting divisions autonomy and the opportunity to develop entrepreneurial skills</td>
<td>20.3</td>
<td>44.7</td>
<td>23.6</td>
<td>8.1</td>
<td>3.3</td>
<td>17</td>
</tr>
</tbody>
</table>

Figure 6-30 - Permitting Divisions Autonomy
6.2.5 - 17c: Relating the responses to theory:

Barkinshaw in his study of entrepreneurship in multinational corporations noted that subsidiary companies were capable of driving local responsiveness, global integration and worldwide learning, but had to be given autonomy to follow their initiatives and the funding to support them (Barkinshaw 1997).

6.2.5 - 18: How important to effective competitiveness is creating a system where employees may pursue innovations they may recognise?

6.2.5 - 18a: Considering the question submitted to respondents:

The eighth trait identified by Peters and Waterman in their study of excellent companies was simultaneous loose-tight properties; pushing autonomy down to the factory floor while maintaining tight control of the direction of the organisation (Peters and Waterman 1982, p.318-325).

6.2.5 - 18b: Statistical consideration of respondents' answers:

Respondents indicated that they believed ‘creating a system where employees may pursue innovations they recognise’ to be the eighteenth most important trait of the twenty-one listed. Considering the frequencies, 19.8% of respondents considered employees pursuing innovation very important and a further 44.4% considered it fairly important, a cumulative percentage of 64.2%. 11.9% considered the trait to be not so important – not important.

Table 6-32 - Employees Pursuing Innovations

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating a system where employees may pursue innovations they may recognise</td>
<td>19.8</td>
<td>44.4</td>
<td>23.8</td>
<td>9.5</td>
<td>2.4</td>
<td>18</td>
</tr>
</tbody>
</table>
6.2.5 - 18c: Relating the responses to theory:

Peters and Waterman consider this last trait to be in some ways to be the one that describes the general character of a company. The trait reflects a company that on one hand maintains rigid control while on the other insisting upon autonomy, entrepreneurship and innovation from the rank and file (Peters and Waterman 1982 p.318).

Peters in his work on innovation (Peters 1990, p.19) noted that today’s companies are not designed for innovation. He recommends a range of actions to get innovation going, all of which are focused at the employees and getting them moving. People strategies in a company are the key to innovation, finding and encouraging those people who have that entrepreneurial skill is the starting point (Peters 1991, p.9).
Markides in his review of strategic innovation in established companies noted that those companies that were successful continually sought to reinvent themselves and not to become complacent with their current success. They needed to create a positive crisis to galvanise the company into active thinking, a challenge that had to encompass all employees and not merely a selected few (Markides 1998).

Amabile in her study of creativity noted that even though creativity was considered more important than ever before to underpin competitiveness, companies often killed any prospect for creativity through production, efficiency and control measures. Creativity requires expertise, the ability to think flexibly and imaginatively, and motivation. It is the latter of these that companies should focus their efforts on as it the most readily influenced element (Amabile 1998).

6.2.5 - 19: How important to effective competitiveness is understanding industry paradigms and having a willingness to challenge these?

6.2.5 - 19a: Considering the question submitted to respondents:

Andrews (ref. 2.4) in his work on strategy making stated that one of the critical success factors of managers was their willingness to be a nonconformist through questioning accepted modes of thought and conventional wisdom (Andrews 1971, p.56).

Hamel and Prahalad (ref. 2.14) noted that one of the key elements of competitive innovation was the ability to carefully examine, understand and move beyond conventional wisdom (Hamel and Prahalad 1989, p.70).

6.2.5 - 19b: Statistical consideration of respondents' answers:

Respondents indicated that they believed challenging industry paradigms to be the nineteenth most important trait of the twenty-one listed. Considering the frequencies, 20.5% of respondents considered challenging paradigms very important and a further
47.2% considered it fairly important, a cumulative percentage of 67.7%. 15.8% considered the trait to be not so important – not important.

Table 6-33 - Importance of Industry Paradigms

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding industry paradigms and having a willingness to challenge these</td>
<td>20.5</td>
<td>47.2</td>
<td>16.5</td>
<td>13.4</td>
<td>2.4</td>
<td>19</td>
</tr>
</tbody>
</table>

Figure 6-32 – Industry Paradigms

6.2.5 - 19c: Relating the responses to theory:

Hamel & Prahalad when considering the issue of challenging industry paradigms further defined *managerial frames* as boundaries that restrict a company’s approach to
competitive warfare. They believed that these managerial frames must be continually challenged and de-constructed (Hamel and Prahalad 1993, p.76-77). Industry foresight, being a synthesis of many persons’ visions of the future, must be used to rewrite industry rules and create new competitive space (ibid., p.128).

Brandenburger and Nalebuff through their work on game theory and business strategy, provide the thesis that successful business strategy is about actively shaping the game you play, not just playing the game you find (Brandenburger and Nalebuff 1995, p.59).

Drucker in writing on management information systems noted a weakness in that the information to challenge management on their views was not readily available. This led to a principal cause of business failures being the common assumption by management that conditions must be what they think they are or think they should be (Drucker 1995, p.111).

In his work on The Theory of Business, Drucker notes that the management of many successful businesses ends up being at a loss with what to do with their business when decline sets in. Drucker attributes this failure to the fact that the theory of business that management holds, no longer applies but that management are unable to recognise that the paradigms that they have held sacred for so long are no longer valid. They are in essence paralysed (Drucker 1994).

Schoemaker recommends the use of scenario planning to negate the problems of overconfidence and tunnel vision that often locks management into inappropriate courses of action. Scenario planning he has found opens management’s mind to possibilities and options that would otherwise not been considered. It in essence permits a challenging of conventional wisdom (Schoemaker 1995).

Mc Grath and Mac Millan in their examination of new business ventures noted that many competent companies have suffered substantial losses when they have commenced new businesses ventures premised upon old and established platforms. They recommend a course of what they term discovery driven planning that assists in
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unearthing implicit assumptions that should be tested for validity (McGrath and MacMillan.I.C. 1995).

Normann and Ramirez believe that strategy making in present competitive environment should be viewed as one of reconfiguring the traditional roles of the various players so as to create new value in new forms. Successful companies must continually examine and reconfigure existing value systems to remain successful (Normann and Ramirez 1993).

Yoffie and Cusumano in their examination of the success of Netscape noted that experience was a double-edged sword. They found that it would have been impossible for Netscape to have expanded so quickly without its depth of management experience, however, its reliance on these highly experienced staff ultimately lead to damaging clashes between these self-confident overachievers who were fixed in their ways (Yoffie and Cusumano 1999).

Markides believes that the challenge that established companies face is organisational. For these companies to remain competitive they need to develop the culture, mind-set, and underlying environment to continually question their current success while promoting continual experimentation. Markides found that underpinning all the successful strategic innovators that she examined was a specific mind-set that encouraged dissatisfaction with the status quo and demanded ongoing soul searching (Markides 1998).

Sampler in his consideration of the impact of new information technologies on competitiveness noted that these technologies were redefining industry structures and challenging established strategy paradigms. Quite simply these established paradigms were no longer capable of being used as a model to explain the competitive behavior that occurred in many markets (Sampler 1998).

A study of conflict and top management teams noted that those teams that nurtured and valued conflict amongst its members outperformed those that sought consensus.
Teams without conflict became apathetic, disengaged, and were only superficially harmonious. They failed to seek out significantly different alternatives and missed the opportunity to challenge falsely limiting assumptions (Eisenhardt, Kahwajy et al. 1997).

Christensen believes the problem is best described as a lack of strategic thinking. He believes managers hone their abilities by tackling problems over and over again but having solved the problem they are not inclined to want to revisit the issue again. They want to use the solution not change it. He believes that strategic thinking is not a core managerial competence and that this is the issue that must be addressed to get managers challenging established paradigms (Christensen 1997).

Markides’s study of 30 successful companies that attacked and entered an established market found that those companies were successful because they broke the rules of the game in their respective industries. The companies did not try to play the game better than the competition, rather they changed the game (Markides 1997).

Sull in his work described the problem as one of active inertia being a company’s tendency to persist in established patterns of behaviour. When confronted with a problem management simply accelerated harder in their tried-and-true methods effectively digging themselves into a bigger hole (Sull 1999).

6.2.5 - 20: How important to effective competitiveness is organisational design as a function of the chosen strategy?

6.2.5 - 20a: Considering the question submitted to respondents:

The thesis that the organisational design of a company should follow the strategy that has been chosen was first introduced by Chandler in 1962 (Chandler 1962) and has generally been accepted as a foundational principal since that time. Andrews (ref. 2.4) in his work stated that strategy must dominate the design of organisation’s structure
and processes. Any question of organisational structure or behaviour must be determined in light of their prospective effect on strategy (Andrews 1971, p.179-181).

6.2.5 - 20b: Statistical consideration of respondents' answers:
Respondents indicated that they believed the question of structure following strategy to be the twentieth most important trait of the twenty-one listed. Considering the frequencies, 15.0% of respondents considered structure following strategy very important and a further 40.2% considered it fairly important, a cumulative percentage of 55.2%. 16.5% considered the trait to be not so important – not important.

Table 6-34 - Structure as a Function of Strategy

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisational design as a function of the chosen strategy</td>
<td>15.0</td>
<td>40.2</td>
<td>28.3</td>
<td>13.4</td>
<td>3.1</td>
<td>20</td>
</tr>
</tbody>
</table>

Figure 6-33 - Structure as a Function of Strategy
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6.2.5 - 20c: Relating the responses to theory:
Thompson and Strickland believed that although structure is simply a managerial tool for facilitating the execution of a company’s strategy, structure does make a difference in performance of a company. Accordingly, a company’s internal organisation must be reviewed whenever strategy changes (Thompson and Strickland 1990, p.223).

Mintzberg believed that a company should focus not on what type of structure to create, but rather looking at the forces at play and organising those forces into their most effective and relevant form for that company (Mintzberg 1991, p.55). Mintzberg saw that the forces at play consisted of direction, efficiency, concentration, innovation and proficiency with the additional forces of cooperation and competition working from the inside (ibid., p.55). In drawing these forces together the final configuration should exhibit harmony, consistency and fit and be capable of conversion (ibid., p.56-58).

Mintzberg et al. in their work on organisations believed that structures should be considered on a getting it all together approach rather than a it all depends approach (Mintzberg, Quinn et al. 1995, p.145).

Waterman et al. noted that a recurring problem suffered by companies seemed to be getting the right strategy implemented. They also noted that although the thesis that structure follows strategy was important, the right structure did not automatically flow once strategy had been set. Accordingly, they formulated their thesis of the 7-S framework (ref. 2.10) to assist companies (Waterman, Peters et al. 1980).

An observation by Pfeffer in his study of successful competitive practices was that organisational practices should not be implemented in isolation but rather as a suite of complimentary programmes that brings organisational design into line with strategy. To implement isolated changes will most likely lead to their failure (Pfeffer 1998).

Collis & Montgomery in their work on the resourced-based perspective of strategy noted that many companies try to use a plain-vanilla corporate approach to each of
their businesses; the one size fits all style of management. They fail to tailor organisational structures and systems to the needs of a particular strategy and try to use generic methods that result in the failure of strategies (Collis and Montgomery 1998).

As a final note on the relevance of organisation structure following strategy, with structure considered in its contemporary broader context, it is worth noting the work of Rajagopalan on the relationship between incentive planning for executives and strategy. Rajagopalan’s research confirmed generally held theory that a company benefits from the adoption of incentive plans whose characteristics are purposefully structured to stimulate motivation and control aspects that are congruent with formulated strategy (Rajagopalan 1996).

6.2.5 - 21: How important to effective competitiveness is leveraging existing resources beyond their capacity as a means of excelling?

6.2.5 - 21a: Considering the question submitted to respondents:

Again drawing from the work of Hamel & Prahalad (ref. 2.14.3), the concept of stretch and leverage is advanced as an essential ingredient to build and maintain sustainable competitive advantage (Hamel and Prahalad 1993).

6.2.5 - 21b: Statistical consideration of respondents’ answers:

Respondents indicated that they believed the concept of leveraging existing resources to be the twenty-first most important trait of the twenty-one listed. Considering the frequencies, 15.9% of respondents considered challenging paradigms very important and a further 31.7% considered it fairly important, a cumulative percentage of 47.6%. 17.5% considered the trait to be not so important – not important.
Table 6-35 - Leverage Existing Resources

<table>
<thead>
<tr>
<th>Competitive Traits</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Neutral</th>
<th>Not so Important</th>
<th>Not Important</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leveraging existing resources beyond their capacity as a means of excelling</td>
<td>15.9</td>
<td>31.7</td>
<td>34.9</td>
<td>13.5</td>
<td>4.0</td>
<td>21</td>
</tr>
</tbody>
</table>

Figure 6-34 - Leverage Existing Resources

6.2.5 - 21c: Relating the responses to theory:

Hamel & Prahalad considered that the traditional managerial frames held within most companies hampered competitiveness and restricted managers thinking to the traditional concept of fit between an organisation and its environment and the allocation of resources amongst competing investments (ibid., p.76-77).

The introduction and acceptance of the concept of stretch and leverage permits a view of an company beyond its present capacity. Under this concept, stretch supplements
fit, leveraging resources is as important as allocating them and the focus of allocation is also on consistency of effort and purpose (ibid., p.77).

The role of management under stretch and leverage becomes principally one of creating a misfit between resources and aspirations, that is, creating stretch so as to achieve leverage; a greater working of a company’s abilities (ibid., 78-83).

6.3 Conclusion

The aim of this chapter was to permit a forum for the review and discussion of the findings of the practices of experienced Australian businesspersons and its comparison to contemporary Western strategic management theory.

The discussion and review was structured under five headings, each of which represented one central theme, and considered fifty individual principles in total.

While no specific conclusions are drawn in this chapter the purpose it serves is to reflect the diversity of contemporary Western strategic management thought against the backdrop of the reporting of the practices of experienced Australian Businesspersons.

It therefore provides a prelude to the conclusions in chapter 7 and places in context both Western theory and practices noted through the research undertaken.

Chapter 7 provides the conclusion to the review and discussion contained in this chapter.
Chapter 7: Strategic Management Practices

Conclusion

7.1 Introduction

The aim of this chapter is to draw to a conclusion the examination of the practices of experienced Australian businesspersons and their comparison with contemporary Western strategic management theory. This process represents the first limb of the triangulation and will set the criteria for the examination of the classical Chinese military works on strategy.

The research process has, so far, been one of:

- identifying key concepts of contemporary Western strategic management theory by means of a review of literature,
- enunciating these key concepts through the conduct of in-depth interviews,
- establishing a range of principles that reflect the key concepts,
- the conduct of survey questionnaire,
- testing of hypotheses to determine practices, and
the review and discussion of practices and concepts.

To satisfy the aim of this chapter, conclusions are drawn in five parts:

➢ A review of the results of the testing of hypotheses (ref. 7.2).
➢ A description of the strategic management practices of experienced Australian businesspersons (ref. 7.3).
➢ The highlighting of the key elements of strategy making and competitiveness as identified by experienced Australian businesspersons (ref. 7.4).
➢ The highlighting of what appears to be shortcomings in the practices of experienced Australian businesspersons as evidenced by concepts noted in the review of literature (ref. 7.5 & 7.6).
➢ The establishment of criteria to provide a basis for review of the classical Chinese works on strategy (ref. 7.7).

7.2 Hypotheses Testing

The research question established at ref. (3.2.2) is:

Are the strategic management practices of experienced Australian businesspersons comparable to internationally recognised strategic management concepts?

In testing this research question, four principle hypotheses were constructed:

➢ (H₁) The strategic management practices of experienced Australian businesspersons are comparable to internationally recognised strategic management concepts.

➢ (H₂) The size of a company/companies in which a person gained their experience directly effects their strategic management practices.

➢ (H₃) A person’s level of education directly effects their strategic management practices.
(H4) The management style of the company/companies in which a person gained their experience directly effects their strategic management practices.

In testing this research question and the underlying hypotheses, 50 principles were constructed reflecting various aspects of contemporary Western strategic management theory as noted during the review of literature and the qualitative research.

Of the 50 principles 42 were accepted and 8 were rejected on the basis of the decision criteria noted at ref. (5.6). On the basis of these results (H1) is supported. Appendix 8 details the individual testing of each principle.

The result of the application of the Kruskal-Wallis tests to the quantitative data along demographic lines is noted at ref. (5.7). These exploratory statistical tests did not reflect any significant variance in the responses gained. On the basis of the results of the Kruskal-Wallis tests, (H2) and (H3) and (H4) are not supported.

Accordingly, it is concluded that the strategic management practices of experienced Australian businesspersons are comparable to internationally recognised concepts. Further, that size of company, education level and management style do not affect the strategic management practices adopted by these persons.

7.3 The Strategic Management Practices of Experienced Australian Businesspersons

The typical experienced Australian businessperson whose opinion is represented by this research may be described as:

A person currently holding the position of managing director or similar who has:
- a minimum of a degree qualification,
- gained their management experience within companies whose turnover is less than $500 million per annum, employing less than 1,500 employees, and
that they would consider tends towards being entrepreneurial in its management style.

The strategic management practices of these experienced Australian businesspersons may be described as follows:

7.3.1 How Do Experienced Australian Businesspersons Select Their Competitive Strategies

The strategy-making process most commonly used by experienced Australian businesspersons is SWOT analysis, however, many of these persons also relied upon the informal approach of following their market knowledge and contacts to recognise opportunities that are worth pursuing. The later method being more consistent with continuous strategy making.

The strategy-making process of formulation by senior management and then implementation by lower management and also the process of tiered down strategy formulation were generally supported but certainly not to a high degree.

In finding a basis upon which strategies may be built, the concepts of core competencies and resources/capabilities were most favoured. Industry positioning, portfolio management and simply sticking to what you know, were not favoured approaches.

Politics within a company and the personal desires and ambitions of senior management were recognised as factors affecting the strategy-making process but were not considered factors of significant influence.

The concept of strategic learning was also recognised as existing in the strategy-making process but again was not considered to be of any real consequence or to have any significant presence in the majority of the strategy-making processes.
The existence of clearly defined strategies was considered vital to underpin business competitiveness, as was also the need for the strategy-making process to be continuous. Both of these issues carried overwhelming support.

7.3.2 Who are the best people within a company to make strategies

The managing director and board of directors were seen as the strategy makers in a company closely followed by divisional managers. However, this was clearly premised on these persons holding a first hand and intimate understanding of the business of that company. Strategy making by all members of a company working together was also highly regarded.

Strategy making through independent formal analysis, discussions with management or simply general business skills were not considered to be effective strategy-making methods.

Career programming for upcoming managers by rotating them through various business units for experience was held in very low regard when measured as a means of enhancing business competitiveness.

7.3.3 What traits should a company focus upon to improve its strategy

When considering the traits a company should strive to achieve so as to enhance its competitiveness, five tiers of importance may be readily identified, they are:

➢ Must Have - 90%+ support
  ➢ Strong leadership providing direction and focus for the company
  ➢ Focusing on the customer
  ➢ Vision in setting the future course of the business
  ➢ Creating the correct culture within the company
  ➢ Being proactive not reactive
  ➢ Identifying core competencies and building upon these capabilities
Should Have - 80%+ support
- Recognising the importance of employees
- Flexibility so as to pursue new opportunities as recognised
- Creating minimum bureaucracy

Good to Have - 70%+ support
- Accurate intelligence on competitors, customers and industry
- Having a clear understanding of what business you are in and sticking to it
- Sustaining overall cost leadership, or differentiation, or focus
- Establishing learning capabilities as a competitive advantage
- Creating drive and motivation to achieve to a level of almost obsession

Are Beneficial - 60%+ support
- A reward system that encourages innovation at all levels of a company
- Understanding industry paradigms and having a willingness to challenge these
- Positioning within an industry based upon the competitive forces at work
- Permitting divisions autonomy and the opportunity to develop entrepreneurial skills

Don't Really Matter - 40%, 50%+ support
- Organisational design as a function of the chosen strategy
- Leveraging existing resources beyond their capacity as a means of excelling

7.4 Describing the Key Strategic Management Practices of Experienced Australian Businesspersons

The strategic management practices of experienced Australian businesspersons may be generally described as follows:
- A clear focus upon core competencies and/or resources and capabilities as a basis for strategy making.
- An appreciation that strategies should be developed by persons with a first hand and intimate understanding of the business, and that strategy making is a dynamic continuous process.
Strategic Management Theory, Practice & Classical Chinese Military Strategy

Practices: Conclusion

➢ A clear recognition of the importance of leadership, vision and culture in competitiveness.
➢ A clear focus on seeking to satisfy customer needs.

When examining the practices, there exists a clear consistency between the comments provided during the interviews under the qualitative research phase and the results of the quantitative research (survey questionnaires).

It is also important to note that the quantitative testing along demographic lines reflected that educational background, size or management style of a company in which a person gained their experience, had any significant impact on a person’s strategic management practices.

7.5 Theory Not Reflected in Practice

The following shortcomings in the practices of experienced Australian businesspersons would appear to exist. A shortcoming is considered to exist where an element that appeared in common and unopposed in the literature is not reflected in the practices noted.

On this basis, the following shortcomings should be highlighted, the failure to recognise the:

➢ importance of challenging industry paradigms as a basis for renewing a company’s competitiveness and identifying new markets,
➢ contribution that employees may offer in creating new innovations,
➢ importance of permitting and encouraging business units the freedom to develop entrepreneurial character,
➢ potential impact that politics and the personal desires of senior management may play in strategy making,
➢ importance of intelligence gathering and assessment in strategy making,
➢ existence of strategic learning and it’s importance in developing competitive strategies,
relationship between strategy and organisational dynamics in achieving competitiveness.

These various shortcomings are elements that are generally recognised in contemporary Western strategic management theory with some authors placing more emphasis on them than others do. However, they can not be said to foundational concepts to theory rather they can only be described as elements of theory.

These various shortcomings may be characterised as reflecting a lack of aggressiveness in the business approach adopted. They reflect a failure to try as hard as possible and to utilise a company and all its members to their utmost capabilities.

7.6 Comparison between Theory and Practice

The comparison between contemporary Western strategic management theory and the practices of experienced Australian businesspersons is not a simple task. The complexity of this task lies in the fact that while the practices appear to be consistent and readily identifiable, Western theory is not. There is no dominant stream of theory nor is there an evolution of theory that may be identified. Rather, there exists a range of theories that have been advanced over a period of 40 odd years, some of which are consistent and some of which are conflicting and argumentative.

So while it may be said that the practices are consistent with theory as supported through the research methodology adopted, this lies more in the broad and diverse nature of the theory rather than the matching of two clearly identifiable patterns of action and thought. If your theory is general enough then you could probably compare and match anything to it.

Accordingly, although the prima facie answer to the research question was that practices are comparable to theory, there is an element of subtlety that underlies this conclusion that must be recognised. It is the qualitative research (the interviews) that most readily highlights the clear distinctions that lie between theory and practice. It
can be recognised in the way in which the interviewees speak, the elements that they speak of passionately and with conviction, and then those whose presence they merely acknowledge.

This distinction between theory and practice is most readily highlighted when you consider the content of the literature review (or the summary of the key criteria extracted from the review of literature (ref. 2.5.2)) and compare this against the comments of interviewees. As discussed at ref. (4.6) there is a clear distinction between theory and practice. Chapter 9 examines this distinction in more detail.

7.7 Criteria to Examine Classical Chinese Works on Strategy

So as to provide a framework in which to consider and examine the classical Chinese works it is necessary that a criterion be established. Given that the overriding structure of this research is a triangulation progressing in a circular fashion then it is appropriate that we take the criteria used in the first part of the triangulation and develop it as necessary. The reason for seeking a framework is to ensure consistency throughout the triangulation and also given the nature of the classical works. These works are best described as applied philosophy and as such potentially have a broad application.

The criteria last set was for the examination of practices (ref. 4.8). The five headings established at that time provide an adequate framework in which to consider the classical Chinese works. Accordingly, the classical works will be considered in light of what contribution they can make to the following questions:

- How do you decide what action to take?
- What purpose do strategies fulfil?
- Who are the best people to decide what should be done?
- When considering what to do, is there a particular base you always come back to?
- Are there certain traits/attributes, which make a business more competitive?
PART THREE

Chapter 8: Literature Review – Classical Chinese Military Strategy

8.1 Introduction

8.1.1 Aim & Approach

The aim of this chapter is to provide a focused critical review of classical Chinese Military works on strategy. This review represents the third vertex of the triangulation noted in chapter 1. The object of this review is to examine the classical works and distil those central themes present within the works so as to provide a basis of comparison against contemporary Western strategic management theory and the practices of experienced Australian businesspersons.

The structure of this chapter is as follows:

➢ This chapter commences with a general introduction to classical Chinese works on strategy and then proceeds to identify the specific works chosen for review and discusses the relevance of these works to the Western Strategic Management thought, being the central theme of this thesis (ref. 8.1.2 - 8.1.4).

➢ The chapter then considers three pertinent factors that are relevant to gaining an understanding of the classical works. These factors are the authorship of the works, the relationship between Warfare & Philosophy in ancient China and the variance in Western and Chinese cultural roots that underpins an understanding of the works (ref. 8.2).

➢ The chapter then considers the method that will be used to review each of the classical works. Each work is then reviewed by providing a brief introduction to
each work and then extracts of relevant parts of each work. Providing these extracts in the body of the thesis and not paraphrasing the text is considered a critical element of the overall thesis structure. Reading through the extracts provides a feeling for the consistency of the works and the language used that would otherwise be lost (ref. 8.3, 8.4).

➢ Firstly, prior to identifying common themes present, the chapter considers the works of various authors who have sought to relate the Chinese classics to business strategy. The purpose of this review is to consider the approach of other authors in examining the classical works and the common themes that they have drawn. The chapter then concludes with an examination and drawing of common themes within the works (ref. 8.5, 8.6).

8.1.2 General Comment

The popularity of classical Chinese works on strategy has flourished over the past two decades not only within their traditional markets of China, Japan, Korea and South East Asia but also throughout the Western world. Their popularity has reached the level where they are presently more widely read for their tactical knowledge and general wisdom than at any time in their history (Sawyer 1993a, p. viii-ix).

These various works may be characterised by both the common consistency of thought and the cumulative nature of their knowledge. As the works were ‘written’ over the centuries there is an almost uncanny consistency in the knowledge and wisdom that they seek to impart with each work reinforcing and building upon the other. These works can be said to represent a mixing of Confucianism, Legalism and Taoism\(^2\) as they seek to offer strategic measures and tactical remedies in what maybe read as a wide variety of situations. These works proffer advice in areas covering not only warfare and battlefield tactics but including human behaviour, motivation, reward

\(^2\) Buddhism was not introduced into Chinese philosophy until after the classical Chinese military works on strategy were 'written'.

structures, selection and evaluation of leaders, command and control, team building, environmental scanning, and so the list may go on (ibid.).

These works are certainly considered by many to be philosophical in nature and therefore are capable of being applied to a wide variety of issues in which guidance may be sought. However, if they are philosophical then they must be considered as applied philosophy as the knowledge they seek to impart has been drawn from hard-learnt practical experiences (Ames 1993, p.41). These classical Chinese works on strategy have drawn upon battlefield victories and defeats to provide the essence of the advice they put forward. In the earlier years when the first of these works was compiled, armies were led by their kings and consisted of noble families amounting to a few thousand warriors in a campaign. However, as centuries passed and the intensity of conflict grew, rivaling States had standing armies of nearly a million soldiers with reportedly 600,000 being mobilised in a single campaign along with 100,000 chariots. At the campaign for Ch’ang-p’ing in 260 BC, the State of Ch’u lost 450,000 men (Sawyer 1993a, p.10, 14).

The logistics and planning that these campaigns would entail are difficult to imagine in a time where computers and electronic communication did not exist and the tasks of command and control were managed through messengers, drums and flags. It was a time where the employment of such vast resources required great expertise and prompted the growth of the professional soldier and their arts (ibid., p.10).

The classical Chinese works on strategy that still exist today were authored during the period of approximately 1100 BC to 100 AD. They represent at least 1200 years of practical knowledge that has been sought after and valued over some 3200 years. The chronology that follows provides rough approximations as to when various works were authored as noted in the extracts that follow.
8.1.2.1 Chronology of Approximate Dynastic Periods

Table 8-1 – Chronology of Approximate Dynastic Periods (Sawyer 1993b, p. xix)

<table>
<thead>
<tr>
<th>Years</th>
<th>Dynastic Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>2852 – 2255 BC</td>
<td>Legendary Sage Emperors</td>
</tr>
<tr>
<td>2205 – 1766</td>
<td>Hsia</td>
</tr>
<tr>
<td>1766 – 1045</td>
<td>Shang</td>
</tr>
<tr>
<td>1045 – 256</td>
<td>Chou</td>
</tr>
<tr>
<td>1045 – 770</td>
<td>- Western Chou</td>
</tr>
<tr>
<td>770 - 256</td>
<td>- Eastern Chou</td>
</tr>
<tr>
<td>722 – 481</td>
<td>- Spring &amp; Autumn</td>
</tr>
<tr>
<td>403 - 221</td>
<td>- Warring States</td>
</tr>
<tr>
<td>221 – 207</td>
<td>Ch’in</td>
</tr>
<tr>
<td>206 BC – 8 AD</td>
<td>Former Han</td>
</tr>
<tr>
<td>23 – 220</td>
<td>Later Han</td>
</tr>
<tr>
<td>222 – 589</td>
<td>Six Dynasties</td>
</tr>
<tr>
<td>589 – 618</td>
<td>Sui</td>
</tr>
<tr>
<td>618 – 907</td>
<td>T’ang</td>
</tr>
<tr>
<td>907 – 959</td>
<td>Five Dynasties</td>
</tr>
<tr>
<td>960 – 1126</td>
<td>Sung</td>
</tr>
<tr>
<td>1127 – 1279</td>
<td>Southern Sung</td>
</tr>
<tr>
<td>1279 – 1368</td>
<td>Yüan (Mongol)</td>
</tr>
<tr>
<td>1368 – 1644</td>
<td>Ming</td>
</tr>
<tr>
<td>1644 – 1911</td>
<td>Ch’ing (Manchu)</td>
</tr>
</tbody>
</table>
8.1.3 Chinese Military Works

There exists a very strong linkage between military thought and philosophy in ancient China and therefore there are many philosophical works that contain chapters in military strategy (Ames 1993, p.39). There also exist prominent works of military strategy that are globally recognised and which have singularly been the focus of most attention when considering such works; namely Sun Tzu’s *The Art of War*.

It is not the intent of this research to provide a detailed review of all classical Chinese works that consider issues of strategy, nor is it adequate to merely consider that work (Sun-tzu) that has received the most public attention.

Accordingly, a selection of eight individual works of classical Chinese military strategy has been chosen as a basis for examination, such works covering the period 1100BC to 100AD.

The first seven of these works are compiled into a single volume titled *The Seven Military Classics of Ancient China* (Sawyer 1993b). Scholars in the Sung dynasty collected, edited and assembled six ancient strategic monographs that had become famous for their content and augmented these with a T’ang dynasty work, to form what became the codified official government text for the study of military affairs. This work became known as *The Seven Military Classics* (ibid., p.1, 2).

The books contained in this compilation are:

- T’ai Kung’s Six Secret Teachings
- The Methods of the Ssu-ma
- Sun-tzu’s Art of War
- Wu-tzu
- Wei Liao-tzu
- Three Strategies of Huang Shih-kung
- Questions and Replies Between T’ang T’ai-tsung and Li Wei-kung
To this grouping of works has been added one further book, *Sun Pin-Military Methods* that has only been recently discovered and translated into English.

It is considered that this selection of eight works reflects the essence of classical Chinese thought on strategy (Sawyer 1993a, p. xi), and therefore serves as an appropriate basis for examination in this research.

In the case of the *Seven Military Classics*, with one exception, there exists only one English translation of this work available, however, the author (Ralph Sawyer) is a well recognised scholar and his historical translations of classical Chinese works considered accurate. The exception noted is the work *Sun-tzu: The Art of War*, included in the compilation, for which there are numerous translations. In this case, in addition to the translation contained in the compilation, a latter translation of this work also by Sawyer (Sawyer 1996a) and a translation by another author, Roger Ames (Ames 1993) were used as a means of gaining an alternate view of the work. Roger Ames's translation is one that holds a philosophical slant and therefore also provides an alternate view to the historical translation of Sawyer. Roger Ames is currently a Professor of Philosophy at the University of Hawaii.

As for *Sun Pin: Military Methods*, the translations used were by Sawyer (Sawyer 1996a) and by D.C. Lau and Roger Ames (Lau and Ames 1996) again providing both a historical and philosophical perspective of this work.

8.1.4 Relevance to Western Strategic Management Thought

It is often argued that business is like warfare and therefore business practitioners should look to military theory to assist them in managing their businesses. The Western military classic *On War* by Carl Von Clausewitz (Clausewitz 1993) was used by Ries and Trout as the basis of their book *Marketing Warfare*.
Many of the general business and marketing books written around Sun-tzu’s *The Art of War* rely upon the analogy between business and warfare (Wee, Lee et al. 1991, p. v.) They are further supported by the interest that has been generated in Japanese and Asian management styles.

However, the justification for seeking knowledge from the classical Chinese works on strategy do not need to lie in a ‘market-hype’ tag of *business is warfare* and any analogies that may be drawn therefrom. Such justification can be found in a simple consideration of what these works represent:

- The eight works that are examined in this chapter represent practical knowledge that has been accumulated over a period of some 1200 years and have been considered valuable enough to continue in existence for a further 2000 years.
- There exists within these works a consistency of thought where paradigms established in earlier works have been carried forward, reinforced and expanded.
- These works consider on a practical basis issues that include:
  - How to build *centralised-authority* supported by the people and then expand the geographical scope of that authority while maintaining that support.
  - Building a culture with the people to underpin the visions of the leaders.
  - How to build a bond between leaders and their followers.
  - The process of selecting good leaders.
  - The use of rewards and punishments.
  - The training and selection of men.
  - Motivation of men and inspiring exceptional performance.
  - The process of continuous learning.
  - Building teams and mutual responsibility.
  - Building organisations that can deal with continuous change.
  - Creating an endless range of tactical actions that will ensure organisations always win.
  - Strategic analysis of opponents.

And so the list goes on.
The size of the armies that these policies were implemented in ranged from a few thousand up to one million. Conflicts involved as many as 600,000 men in one campaign. And the conditions that these practices were tested and proven under were far harsher and less forgiving than our modern day competitive battlefields.

When we relate the knowledge that prospectively exists in these works to what contemporary management theory presently offers and the current needs and problems business leaders face, its value becomes clear:

- Contemporary strategic management theory is only 40 years old with no dominant accepted paradigms compared against a 3000-year history and established proven paradigms.
- As contemporary businesses become global they struggle with expanding their businesses into new regions. These issues were considered and resolved by T’ai Kung in 1100BC.
- Leadership and motivation problems plague contemporary businesses. Leadership and motivation were central to the classical Chinese works.
- The concept of the learning organisation has been developed to try to help contemporary businesses deal with change. Continuous change was created within the organisations built in ancient China.

And again the list goes on.

Accordingly, it would seem that the classical Chinese works are capable of standing upon the merits of their content. Unfortunately, however, it would seem that because these works are not part of Western folklore or fit readily into our Western frames of thought, they have generally been ignored and only considered by mainstream management academics for their novelty value. Much like having Chinese food for dinner every now and then.
8.2 Gaining an Understanding

8.2.1 Authorship

In our Western culture, and even more so in the academic world, there exists a preoccupation with authorship; it is important that we know who the original author of a work is and that any subsequent use of that original work is duly credited. At times such preoccupation may even become a fixation that hinders the appropriate consideration of the work being examined.

When examining historical Chinese works care must be taken to place the issue of authorship in its correct perspective. Determining authorship can become a lifetime study within its own right. Such perspective arises from firstly recalling that these works are believed to have originated some 3000 years ago and therefore finding an intact copy of work itself is a significant event. The second aspect to be grappled with then is, the method in which these works came about, were ultimately committed to paper and were then passed down over the years.

As Roger Ames states in the introduction to his translation of Sun Tzu – The Art of Warfare (Ames 1993, p.21), ‘The quest for a single text authored by one person and a preoccupation with historical authenticity is perhaps more a problem of our own time and tradition. There is a tendency on the part of the contemporary scholar to impose anachronistically our conceptions of “text” and “single authorship” on the classical Chinese artifact and, by doing so, to overlook the actual process whereby a text would come into being.’

Ames goes on to state the he considers this to be of particular concern when dealing with cultures such as the Chinese where oral transmission was the dominant means of communicating these early works and where authorship was cumulative and corporate. Ames saw that classical works such as those being considered herein emerged through a process of development and refinement over several authors and
several generations. The concept of a work emerging through a single event has little relevance in viewing classical Chinese works on military strategy (ibid., p.21)

Griffith, in his 1963 translation of *Sun Tzu* argued that in his opinion this work was compiled in the period 400 - 320 BC although the person to whom it is attributed, Sun Wu, is believed to have lived during 544 -496 BC (Griffith, 1963). This translation by Griffith is considered to be a 'quantum improvement over what had gone before and to date has been our best effort to capture the text for the English-speaking world' (Ames 1993, p.8).

Subsequent archeological findings (Yin-Ch'üeh-shan find in 1972) support Griffith's contention, 'Sun-tzu.......... is assuredly a composite work - the product of many hands and many voices that accrued over an extended period of time' (ibid., p.24).

*The Analects of Confucius* is also considered to have been originally discussion notes, copied down, organised, and eventually edited by several generations of students (ibid., p.25).

D.C. Lau in his translation of *Lao-tzu* provides the following

'It seems then that the text [Lao-tzu] was still in a fluid state in the second half of the third century BC or even later, but by the middle of the second century BC, at the latest, the text already assumed a form very much like the present one. It is possible this happened in the early years of the Western Han Dynasty. There is some reason to believe that in that period there were already specialist "professors" (po shih) devoted to the study of individual ancient works, including the so-called philosophers (chu tzu), as distinct from the classics (ching)....This would cause the text to become standardised.....' (Lau, 1982 , p.134).
8.2.2 Warfare & Philosophy

A review of the Imperial Catalog included in the *History of the Han Dynasty* reveals that the works of military writers is found under the classification of philosophers. In fact, a review of almost any of the classical Chinese philosophical works will reveal lengthy treatises on military thought contained therein. This importance of warfare as a topic of philosophical thought in China is not matched within the Western world (Ames 1993, p.39).

This enduring and prominent interest in military matters can in fact be rather puzzling when considered in light of the fact that Chinese culture neither glorified nor celebrated war and in which 'heroism in combat' is a rather undeveloped theme. Further, warriors did not hold an elevated social position and the central concern of worthy rulers was the well being and welfare of his people. War was seen as an unfortunate and unavoidable last resort. In many ways these traits are the opposite to those of our Greek and Roman forebears that seemed to promote the ideals of glory in warfare.

Why then did warfare seem to hold such importance in Chinese thinking?

During the time leading up to the Spring & Autumn period (722-481 BC), armies were principally comprised of members of the aristocratic families living in the vicinity of the capital with ordinary persons playing little role if any. Representatives of the ruling families would lead the armies having been educated both in civil and military matters. Confucius was clearly educated for both a literary and military career (ibid., p.40).

As the brutality of the conflicts escalated during the Warring States period (403-221 BC) a clear segregation of the civil and military authorities arose and the professional soldier started to emerge. The number of fatal casualties in conflicts grew exponentially from a few hundred to hundreds of thousands. Conflicts were now an issue of survival and as such required the commitment of all resources including
philosophical sensibilities. Military strategy was no different to any other art where philosophy could be used as a source of metaphors so as to shape philosophical distinctions and categories, the concept of shih or strategic advantage being a good example (ibid, p.41).

Classic Chinese philosophy when applied to warfare, however, is resolutely pragmatic and is resilient to attempts to draw a clear distinct between theory and application and therefore should be considered as applied philosophy. Chinese philosophy is very much about ‘doing’ (ibid).

Ames in his consideration of the differences in Western and Chinese worldviews suggests that although there exists from a Western perspective a clear divergence in the subject matter of personal cultivation and cultivation of battlefield skills, there exists from a Chinese perspective a clear linkage. The Chinese concept of harmony (ho) is ‘both fundamental to and pervasive in’ the classical culture studied by philosophers and military commanders (ibid., p.42).

There is a clear assumption in classical Chinese culture that those personal characteristics that permit a person to be exemplary as a social, political, and cultural leader will also enable them to be a worthy military leader. An exemplary or worthy leader is determined not by the position a person holds, nor by the technical skills they may hold, but rather by their character. The superior character of an exemplary person will enable them to excel in whatever field they may pursue.

It is the ability of a person to achieve harmony that will distinguish them as a person of exemplary character. It is this concept of harmony that binds philosophy and warfare. It is harmony that grounds human experience generally (ibid, p.43)

8.2.3 Cultural Perspectives

A study of culture is both diverse and complex and there are often hidden fundamental assumptions on which a culture may ground their specific genetic identity and
continuities. These fundamental assumptions may be so grounded that they are concealed and unknown to members of that culture and can only be gleaned from an external perspective. Yet these assumptions affect the way in which the members of that culture view and interact within the world (ibid., p.43,44).

Looking at and trying to grasp the character of classical Chinese culture from a Western perspective is also fraught with dangers. While the Western practitioner may not be blinded to the hidden assumptions underpinning Chinese culture, they will view the alternate culture based upon their own pattern of cultural assumptions. Therefore, if the Western practitioner does not seek to unearth the differences that exist between their own fundamental assumptions and those that have formed during the emergence of classical Chinese thought, they will have no choice but to impose upon Chinese thought their own presuppositions about the way the world is. This can only lead to a 'poor translation' of the alternate cultural thought and intent (ibid., p.44).

So while the practice of making generalisations is not always a good one, for the purposes of gaining a handle on classical Chinese culture and breaking the bonds of the preprogrammed mindset of Western culture, it is necessary that such generalisations be made. These generalisations are an attempt to identify and excavate the hidden assumptions in each culture. Through this window a greater understanding of classical Chinese strategy may be gained.

Chen in his book *Asian Management Systems* (Chen 1995) notes the importance of gaining an understanding of national culture and tradition before seeking to gain a handle on management styles. He notes that Asian management styles are strongly influenced by a Confucian ethic that encompasses such traits as, the self as a center of relationships, the sense of personal discipline, personal cultivation, and consensus formation and cooperation. The consideration in this research, however, must go one step further back and seek to gain a handle on the differences between fundamental beliefs.
A comparison between classical Greek, Roman and Judaeo-Christian assumptions that ground and permeate Western tradition and those of the classical Chinese worldview may be summarised as follows:

8.2.3.1 Western: A Two World Theory

The worldview that has come to dominate Western thinking maybe described as a ‘two-world’ theory. It is in fact so pervasive in our way of thinking that even an ‘everyday person’ can recognise and relate to it. The one overriding concern that occupied the early Greek thinkers and the later Judaeo-Christian traditions was ‘to discover and distinguish the world of reality from the world of change, a distinction that fostered both a “two-world theory” and a dualistic way of thinking about it’ (Ames 1993, p.45,46).

These thinkers sought that permanent and unchanging first principle that had overcome initial chaos to give unity, order, and design to a changing world, and which they believed makes experience of this changing world intelligible to the human mind (ibid., p.46). They sought to find an explanation for change, to identify the ‘real’ structure behind change and thereby make life secure and predictable; called Platonic ideas, natural law, divine law, moral principle, God. Such a search reflected a presumption that there must be some originative and independent source of order that provides reason for the human experience. Some independently standing preassigned design that has set the course of our life for us.

The basic question being asked, ‘What/Who is the One behind the many?’ Alternatively, another way to consider this fundamental question being asked is to see it as an attempt to find a clear separation between ‘that which creates’ and ‘that which is created’, ‘that which orders’ and that which is ordered’, ‘that which moves’ and ‘that which is moved’ (ibid., p.46,47).

This two worldview leads to a dualistic categorisation (binary pairs) of life experiences with the first always independent of and superior to the latter:
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creator/creature, soul/body, cause/effect, knowledge/opinion, theory/practice, truth/falsity, and so the list may go on. The first element is positive, necessary and self sufficient while the second element is wholly dependent upon the first for its existence and meaning (ibid., p.47).

the western world view therefore can be seen to be both cosmogonic and teleological in that there are underlying assumptions that there existed, respectively, some original act of creation and that there is some ultimate purpose to which the creator aspires. god created the world as we know it, he also created human life to exist in this world and we may draw meaning in our life because god has a design and purpose for us all. order is created within this world by god’s design. this core essence to our existence has created a determinative principle that we apply in our view of our world. there is a linear and causal explanation to events that occur all we need to do is identify the agent behind the activity, the cause behind the effect, the premise behind a conclusion, and all will be clear to us (ibid., p.48). as humans we straddle the two worlds with our soul belonging to the higher enduring world and our physical body belonging to the earth bound world of physical appearance. our soul having access to the higher world can through reason and revelation lay claim to knowledge and provide a level of predictability to our universe (ibid., p.49).

8.2.3.2 chinese: a this world view

when we come to consider the classical chinese view of the world we commence not from a 'two-world' premise but rather with an assumption that there exists only one world that is continuous and the source and locus of all our experiences. order is ‘indwelling in things themselves’. order is not imposed from without our world but resides within it. creativity resides within our world and the order and patterns that we see evidences the interaction of forces within, change and continuity are equally real (ibid., p.49).
The world is alive and is the efficient cause of itself. It is dynamic, autogenerative and self-organising. It is constituted as a sea of *ch'i* (life forces that reside within everything). As one orientates their way through the various concentrations, configurations and perturbations of *ch'i*, an intelligible pattern can be mapped and discerned. Orienteering in this way may be described as *tao* (pathway). *Tao* is both what the world is and how it is and there is no distinction between some ordering force and those that are ordered. Nor is there a beginning and end. Order within the world at any time is ‘self-causing’. To take a Confucian saying, ‘It is the person who extends order in the world (*tao*), not order that extends the person’ (ibid., p.50).

The ‘two-world’ order underpinning Western culture has given this culture a theoretical basis for objectivity, that is the ‘ability’ to stand wholly outside and take an external view of things. Such a process of decontextualisation enables objects to be created and examined in isolation. The worldview of classical Chinese culture does not permit nor enable such a process. With no originating principle, any consideration (examination) is undertaken from your own specific place within the world and what you are trying to do is discern ‘objects’ that have dissolved into the flux and flow and whose existence is continuous and uninterrupted. We are not capable of getting outside of this one world and therefore we always view it from within, each from our own particular perspective (ibid., p.50).

Within this one world, every thing is what it is at the pleasure of everything else. All things are correlated and interdependent. Whatever can be predicated of any one thing is solely a function of the network of relationships that all conspire to give it its role, place and definition within the continuum of the *tao* (ibid., p.51).

Given that all things are unique and that there is no strict notion of identity as in belonging to a class, group or species, relationships that provide us with an ‘identity’ tend to be hierarchical or contrastive: senior or junior, elder or younger. Changes in the quality of these relationships always occur along the continuum as movement between what maybe seen as polar opposites. The relationship in these polar opposites
would normally be expressed in terms of strong/weak, yin/yang, overshadow etc. (ibid., p.52).

It is important that a clear distinction be drawn between the ‘dualistic opposition’ implicit in the two worldview where the creator stands independent of and more real than the world he/she creates and the ‘contrastive tension’ arising from the interdependence and correlative character of yin/yang. The implications to the varying worldviews of the difference between dualism and polar contrast are both fundamental and pervasive.

One such implication can be seen from the way in which things are categorised under each of the views. In the Western worldview categories are formed analytically by an allocated formal and essential identity based upon objective characteristics, e.g. human beings, dogs etc. In the Chinese worldview, categories are formed not by essences but by analogy. For example, under the Western view a hammer may be categorised as a tool, whereas the Chinese view may categorise it as ‘building a house’ based upon the perception of the interdependence of factors all occurring during the process of building. While the first categorisation is descriptive and drawn from abstract essences seeking to say what something is, the latter is more prescriptive and normative seeking to say what something should be in order to be successful (ibid., p.53).

In the Western tradition knowledge is considered to be a process of discovery, grasping, and defining the essence, form and function behind elusively changing appearances. Once discovered, however, reality, and therefore the knowledge, was permanent, its natural state being inertia. The language of concept, conceive, and comprehend best representing what ‘knowing’ is. Mathematics or more particularly geometry is the paradigm for knowledge. In the classical Chinese tradition knowledge is thought of quite differently. Inertia is replaced by continuity, form is not permanent and cannot be grasped and held onto but rather an intelligibility and continuity that may be mapped within the dynamic process itself through perception (ibid., p.54,55)
Within the Chinese tradition ‘things’ and ‘events’ are viewed as temporal flows that are mutually shaping and being shaped within a ‘dynamic calculus of contrasting foci emerging in tension with each other’. Within this ‘hotpot’ change is always occurring at varying speeds and intensity although patterns repeat with what was weak becoming strong to the point of excess then falling to be weak again and then growing to be strong again as the cycle is repeated again. Ch’i is the energy flow that moves, blends and shapes all within the continuum (ibid., p.55)

‘Reason’ is coherence, it is understanding, it is seeing the pattern of things and their functions, and it is almost solely dependent upon human and world experience. Rational explanation does not arise from the discovery of some antecedent agent or the isolation of relevant causes but in the mapping out of the local conditions that have collaborated in sponsoring an event. Once mapped these conditions may be manipulated through communication to anticipate the next moment (ibid., p.56).

Comprehensiveness is all-important in this classical Chinese model of knowledge. There is no distinction between the human being and the natural world, in fact there is a direct and immediate affinity between them, so that both natural and man made conditions is open to cultivation and manipulation. The process of knowing is therefore that of being able to map and manipulate all the conditions, far and near, that will come to affect the shifting configuration of one’s own place. The degree of comprehensiveness will determine how sharp is the focus of your view (ibid., p.56).

The language that depicts the Chinese model of knowing is ‘tracing out’, ‘unraveling’, ‘penetrating’ and ‘getting through’. To know something is to ‘undo’ it but not by an ‘analytical dissection in a static vacuum’ but to trace out the connections, discern the patterns in things, to become fully aware of the changing shapes and conditions and to anticipate what will ensue from them.

To know is to realise, to make real, the path is not a ‘given’ but is made in the treading of it, as one’s own actions are always a significant factor in the shaping of one’s world. A pattern invariably emerges from within the process itself, the tension that
establishes the line between one’s own focus and one’s field provides a physical, psychological, social, and cosmological ‘skin’ or a shape, a continuing, an insistently particular identity. This pattern is reflexive and dynamic in that one’s own dispositions are implicated in and the shaping of one’s own environment. This shape is constantly being reconstrued through the tension with what is most immediately pressing in upon us and with what we are in turn pressing against (ibid., p.57).

From this tradition, human knowledge is fundamentally performative. One ‘knows’ not only by recognising it (passive knowledge) but also by actively shaping (realising) it. Exemplary persons are able to achieve harmony through the art of contextualising. This skill is reflected in the ability to anticipate the patterned flow of circumstance, to encourage those dispositions most conducive to harmony, and to creatively negotiate order.

The following major Confucian theme captures what knowledge is ‘...the exemplary person pursues harmony (ho), not sameness’ (ibid., p.59).

8.3 Method of Review

So as to provide a framework in which to consider and examine the classical Chinese works it is necessary that a criterion be established. Given that the overriding structure of this research is a triangulation progressing in a circular fashion then it is appropriate that we take the criteria used in the first part of the triangulation and develop it as necessary.

The reason for seeking a framework in which to examine the classical works is to ensure consistency throughout the triangulation and also given the nature of the classical works. These works are best described as applied philosophy and as such potentially have a broad application.
The criteria last set was for the examination of practices (ref. 4.6). The five headings established at that time provide an adequate framework in which to consider the classical Chinese works.

Accordingly, the classical works will be considered in light of what contribution they can make to the following questions:

- How do you decide what action to take?
- What purpose do strategies fulfil?
- Who are the best people to decide what should be done?
- When considering what to do, is there a particular base you always come back to?
- Are there certain traits/attributes, which make a business more competitive?

Naturally, a degree of latitude must be applied in adopting a framework built upon business practices to works of military strategy, however, given the applied nature of the works being examined this is not considered a significant problem.

8.4 Individual Classical Works

8.4.1 T'ai Kung’s Six Secret Teachings

(T’ai Kung Liu-t’ao)

8.4.1.1 Introduction

This book purportedly records the T’ai Kung’s (personal name Chiang Shang (Sawyer 1993, p.27) political advice and tactical instructions to Kings Wen and Wu of the Chou dynasty in the eleventh century BC. The T’ai Kung historically has been seen to be the first famous Chinese General and the progenitor of Chinese strategic studies. During the T’ang dynasty he was awarded an official status approaching that of Confucius. This work, although ‘written’ in the Warring States period, is felt to reflect
the essence of tradition of Ch’i military study and therefore represents vestiges of the oldest strata of Chinese military thought (ibid., p.23).

The *Six Secret Teachings* is the only Chinese Military Classic that considers strategy from the perspective of instigating civil revolution as its tool. This is because the Chou Kings were in the strategic position of having to employ limited resources and restricted forces to attack a vastly superior and well-entrenched opponent with a combat ready army whose numbers probably outnumbered the entire Chou population (ibid., p.23).

So as to achieve their objectives of not only surviving but also conquering their enemy, the Shang Dynasty, the Chou needed a grand strategy. Such strategy must enable them to firstly build a substantial material base, secondly undermine the enemy’s strength, and thirdly create an administrative organisation that could be imposed effectively in both peace and war. The grand strategy exposed by T’ai Kung in the *Six Secret Teachings* proposed the doctrine of the benevolent ruler, with its consequential administrative emphasis on the people’s welfare. The belief underwriting this doctrine was that a well-ordered, prosperous, satisfied people will both physically and emotionally support their rulers.

A society that has purposefully built substantial material resources is firstly able to train and instruct its people, secondly is able to generate the spirit and provide the supplies essential to military campaigns, and thirdly can establish the environment that will truly motivate soldiers. Furthermore, a benevolent ruler is by nature a magnet to the oppressed, downtrodden and dispirited people from neighboring states whose rulers may be oppressive (ibid., p.31).

The *Six Secret Teachings* is divided into six books each of which in turn is again divided into relevant sections providing 60 chapters. The six books are titled *Civil, Martial, Dragon, Tiger, Leopard* and *Canine* with each book considering a different aspect of strategy under the overall framework of revolution.
Book 1 - Civil Affairs

The first book considers the management of Civil Affairs. It proposes two key platforms for the management of civil affairs, that of:

- Profit for the People, and
- The institution of a strong bureaucracy (not in the contemporary concept that we associate bureaucracy but to indicate tight efficient control and management) and the imposition of strong controls.

The themes that flowed through this section were ones that proclaimed governments must assiduously practice virtue and base their foundation on moral standards and that effective governing can only occur in an environment where rewards and punishment are systematically created and imposed. A strong bureaucracy composed of talented men carefully selected through a process of insightful evaluation is the ideal government.

As for the system of rewards and punishments these must be clear, immediate and permeate all parts of society. Punishments must extend to the highest levels and rewards to the lowest (ibid., p.32).

With regard to the theme of virtue, it was the ruler and his ministers that were responsible for setting the example for all their peoples. Benevolence, righteousness, loyalty, creditability, sincerity, courage, and wisdom were the virtues they must nurture and display. Further, the ruler was not only a source of personal example but he was required to gain an intimate understanding of the needs of his people. Personal emotions were not permitted to interfere with the impartial government and excessive pleasures by the ruler or his ministers to the detriment of the people were unforgivable (ibid., p.32).

Righteousness must always override personal desires and emotions and the ruler must actively share the hardships and pleasures of his people and clearly be seen to be
doing so. It is only through such a course that a ruler can bind his people to himself (ibid., p.33).

T'ai Kung promoted a doctrine of total warfare. Where war was unavoidable then, every method available to achieve victory must be used and constraints should not be imposed (ibid., p.33).

Book 2 - Military Affairs

Much of the second book is devoted to tactical considerations relevant to specific circumstances; however, there is also general advice that is enduring.

The Commanding Officer (General) must be carefully selected and should embody, in balance, the critical characteristics to qualify them for leadership. They must also be free of the personal traits that may cause them to be exploitable or to make errors of judgement. Further once a commanding officer is appointed his authority over military matters is total and the ruler should not seek to interfere in his decisions. To do such will only lead to valuable opportunities being missed and his authority being questioned (ibid., p.33-34).

The organisation (both civil and military) must be noted for its unity and integration if it is to be effective. Such may be achieved by providing clearly assigned single tasks, an integrated system for reporting, clearly defined system of responsibility and a clear command structure (ibid., p. 34).

Only after a thorough and proper analysis has been completed should some general principles to guide commanders actions be drawn (ibid., p.34).

Books 3 -6: Dragon, Tiger, Leopard, Canine

The remaining 4 books deal with different tactical scenarios and appropriate courses of action. It is difficult to determine any solid thematic groupings or a relationship
between titles and contents. It must, however, be kept in mind that it is possible that such material may have been lost over the generations (ibid., p.38). Having noted this fact it is still possible to provide an introduction to the content of each book:

The *Dragon Book* focuses primarily on organisational structure including:
- Characteristics and qualifications of the commanding officer
- Methods of evaluation and selection
- Importance of rewards and punishment (ibid., p.38).

The *Tiger Book* commences with a review of the important categories of military equipment and then breaks off into a wide ranging review of tactical principles and command issues mainly centered around extricating the army from an unfavourable battle environment (ibid., p.39).

The *Leopard Book* focuses on tactical considerations in dealing with difficult types of terrain (forests, mountains, ravines, lakes, deep valleys) and stronger opposing forces (ibid., p.39).

The *Canine Book* details the principles for integrating the three forces of chariots, infantry and cavalry in a wide variety of situations. It also considers exploitation of an enemy's weaknesses and the creation of elite army units (ibid., p.39).

8.4.1.2 Review and Extract of Text

**Book 1 - Civil Secret Teaching**

**1. King Wen's Teacher**

"All under Heaven is not one man's domain. All under Heaven means just that, *all* under Heaven. Anyone who shares profit with all the people under Heaven will gain the world. Anyone who monopolizes its profits will lose the world. Heaven has its seasons, Earth its resources. Being capable of sharing these in common with the
people is true humanity. Wherever there is true humanity, All under Heaven will give their allegiance.'

'Wherever there is Virtue, All under Heaven will give their allegiance.'

'Where there is righteousness the people will go' (ibid., p.41).

2. Fullness & Emptiness

'If the Ruler lacks moral worth, then the state will be in danger and the people in turbulence. If the ruler is a Worthy or a Sage, then the state will be at peace and the people well ordered. Fortune and misfortune lie with the ruler, not with the seasons of heaven.'

'When Yao was king of the world he did not adorn himself with gold, silver, pearls, and jade.'

'He honored the positions of the officials who were loyal, upright, and upheld the laws, and made generous the salaries of those who were pure and scrupulous and loved people. He loved and respected those among the people who were filial and compassionate, and he comforted and encouraged those who exhausted their strength in agriculture and sericulture' (ibid., p.42).

'Among those he hated, if anyone had merit he would invariably reward him. Among those he loved, if anyone were guilty of an offence he would certainly punish him.'

'What he allotted to himself was extremely meager, the taxes and services he required of the people extremely few.'

'Great is the Worthy and Virtuous ruler!' (ibid., p.43).

3. Affairs of State

'Just love the people.'
'Profit them, do not harm them. Help them to succeed, do not defeat them. Give them life, do not cause them to suffer. Make them happy, do not cause them to be angry.'

'Thus one who excels at administering a state governs the people as parents govern their beloved children or as an older brother acts toward his beloved younger brother. When they see their hunger and cold, they are troubled for them. When they see their labors and suffering, they grieve for them.'

'Rewards and punishments should be implemented as if being imposed upon yourself. Taxes should be imposed as if taking from yourself. This is the Way to love the people' (ibid., p.44)

4. The Great Forms of Etiquette

'How should a ruler act in his position?'
'He should be composed, dignified, and quiet. His softness and self-constraint should be established first. He should excel at giving and not be contentious. He should empty his mind and tranquilize his intentions, awaiting events with uprightness.'

'How should the ruler listen to affairs?'
'He should not carelessly allow them nor go against opinion and oppose them. If he allows them in this fashion, he will lose his central control; if he opposes them in this way, he will close off his access. He should be like the height of a mountain which-when looked up to-cannot be perceived, or the depths of a great abyss which-when measured-cannot be fathomed.'

'What should the ruler’s wisdom be like?'
'The eye values clarity, the ear values sharpness, the mind values wisdom. If you look with the eyes of All under Heaven, there is nothing you will not see. If you listen with the ears of All under Heaven, there is nothing you will not hear. If you think with the minds of All under Heaven, there is nothing you will not know. When (you receive information from all directions), just like the spokes converging on the hub of a wheel, your clarity will not be obfuscated' (ibid., p.44).
5. Clear Instructions

'If one sees good but is dilatory (in doing it), if the time for action arrives and one is
doubtful, if you know something is wrong but you sanction it – it is in these three
that the Tao stops. If one is soft and quiet, dignified and respectful, strong yet
genial, tolerant yet hard – it is in these four that the Tao begins. Accordingly, when
righteousness overcomes desire one will flourish; when desire overcomes
righteousness one will perish. When respect overcomes dilatoriness it is auspicious;
when dilatoriness overcomes respect one is destroyed' (ibid., p.45).

6. Six Preservations

'How does the ruler of the state and leader of the people come to lose his position?'
'He is not cautious about whom he has as associates. The ruler has 'six
preservations' and 'three treasures'.

'What are the six preservations?'
- benevolence
- righteousness
- loyalty
- trust
- courage
- planning (ibid., p.45)

'How does one go about carefully selecting men using the six preservations?'
'Make them rich and observe whether they do not commit offences. Give them rank
and observe whether they do not become arrogant. Entrust them with responsibility
and see whether they will not change. Employ them and see whether they will not
conceal anything. Endanger them and see whether they are not afraid. Give them
management of affairs and see whether they are not perplexed' (ibid., p.46).

'May I ask about the three treasures?'
'Great agriculture, great industry, and great commerce are referred to as the 'three
treasures.' If you have the farmers dwell solely in districts of farmers, then the five
grains will be sufficient. If you have the artisans dwell solely in districts of artisans,
then the implements will be adequate. If you have the merchants dwell solely in
districts of merchants, then the material goods will be sufficient.
If the three treasures are each settled in their places, then the people will not scheme. Do not allow confusion among their districts, do not allow confusion among their clans' (ibid., p.46).

7. Preserving the State's Territory

'...the ruler must focus on developing wealth within his state. Without material wealth he has nothing with which to be benevolent. If he does not bespread beneficence he will have nothing with which to bring his relatives together. If he estranges his relatives it will be harmful. If he loses the common people he will be defeated.

'Do not loan sharp weapons to other men. If you loan sharp weapons to other men, you will be hurt by them and will not live out your allotted span of years.'

'What do you mean by benevolence and righteousness?'

'Respect the common people, unite your relatives. If you respect the common people they will be at peace. And if you unite your relatives they will be happy. This is the way to implement the essential cords of benevolence and righteousness.'

Do not allow other men to snatch away your awesomeness. Rely on your wisdom, follow the constant. Those that submit and accord with you, treat generously with Virtue. Those that oppose you, break with force. If you respect the people and are decisive, then All under Heaven will be peaceful and submissive' (ibid., p.46,47)

8. Preserving the State

'How does one preserve the state?'

'Heaven gives birth to the four seasons, Earth produces the myriad things. Under Heaven there are the people, and the Sage acts as their shepherd.'

'Thus the Tao of spring is birth and the myriad things begin to flourish. The Tao of summer is growth; the myriad things mature. The Tao of autumn is gathering; the myriad things are full. The Tao of winter is storing away; the myriad things are still. When they are full they are stored away; after they are stored away they again revive. No one knows where it ends, no one knows where it begins. The Sage accords with it and models himself on Heaven and Earth. Thus when the realm is well ordered, his benevolence and sagacity are hidden. When All under Heaven are
in turbulence, his benevolence and sagacity flourish. This is the true Tao (ibid., p.47,48).

9. Honoring the Worthy

'Among those I rule, who should be elevated, who should be placed in inferior positions? Who should be selected for employment, who cast aside? How should they be restricted, how stopped?

'Elevate the Worthy, and place the unworthy in inferior positions. Choose the sincere and trustworthy, eliminate the deceptive and artful. Prohibit violence and turbulence, stop extravagance and ease. Accordingly, one who exercises kingship over the people recognises 'six thieves' and 'seven harms'.

'Six Thieves'
1. subordinates build large palaces and mansions, pools and terraces, and amble about enjoying the pleasures of scenery and female musicians....
2. when the people are not engaged in agriculture and sericulture but instead give rein to their tempers and travel about as bravados, disdaining and transgressing the laws and prohibitions, not following the instructions of the officials.....
3. when officials form cliques and parties-obfuscating the worthy and wise, obstructing the ruler's clarity....
4. when knights are contrary-minded and conspicuously display "high moral standards" - taking such behaviour to be powerful expression of their ch'i-and have private relationships with other feudal lords-slighting their own ruler....
5. when subordinates disdain titles and positions, are contemptuous of the administrators, and are ashamed to face hardship for their ruler,....
6. when the strong clans encroach on others - seizing what they want, insulting and ridiculing the poor and weak.... (ibid., p.48,49).

'Seven Harms'
1. men without knowledge or strategic planning ability are generously rewarded and honored with rank....
2. they have reputation but lack substance. What they say is constantly shifting. They conceal the good and point out deficiencies. They view advancement and dismissal as a question of skill.
3.....they make their appearance simple, wear ugly clothes, speak about actionless action in order to seek fame, and talk about non-desire in order to gain profit. They are artificial men,....

4.....they listen widely to the disputations of others and speak speciously about unrealistic ideas, displaying them as a sort of personal adornment. They dwell in poverty and live in tranquility, depreciating the customs of the world. They are cunning people....

5.....with slander, obsequiousness, and pandering, they seek office and rank. They are courageous and daring, treating death lightly, out of their greed for salary and position. They are not concerned with major affairs but move solely out of avarice. With lofty talk and specious discussions, they please the ruler.

6.....they have buildings elaborately carved and inlaid. They promote artifice and flowery adornment to the injury of agriculture.

7.....they create magical formulas and weird techniques, practice sorcery and witchcraft, advance unorthodox ways, and circulate inauspicious sayings, confusing and befuddling the good people (ibid., p.49).

10. Advancing the Worthy

‘If one advances the Worthy but doesn’t employ them, this is attaining the name of “advancing the Worthy” but lacking the substance of “using the Worthy”.’

‘If the ruler takes those that the world commonly praises as being Worthies and those that they condemn as being worthless, then the larger cliques will advance and the smaller ones will retreat. In this situation groups of evil individuals will associate together to obscure the Worthy. Loyal subordinates will die even though innocent. And perverse subordinates will obtain rank and position through empty fame. In this way, as turbulence continues to grow in the world, the state cannot avoid danger and destruction’ (ibid., p.50).

11. Rewards and Punishments

‘Rewards are the means to preserve the encouragement (of the good), punishments the means to display the rectification of evil. By rewarding one man I want to stimulate a hundred, by punishing one rectify the multitude. How can I do it?’
‘In general, in employing rewards one values credibility; in employing punishments one values certainty. When rewards are trusted and punishments inevitable wherever the eye sees and the ear hears, then even where they do not see or hear there is no one who will not be transformed in their secrecy. Since the ruler’s sincerity extends to Heaven and Earth and penetrates to the spirits, how much the more so to men? (ibid., p.51).

12. The Tao of the Military

‘In general, as for the Tao of the military, nothing surpasses unity. The unified can come alone, can depart alone. The Yellow Emperor said: “Unification approaches the Tao and touches on the spiritual.” Its employment lies in the subtle; its conspicuous manifestation lies in the strategic configuration of power; its completion lies with the ruler’ (ibid., p.51).

‘The technique for military conquest is to carefully investigate the enemy’s intentions and quickly take advantage of them, launching a sudden attack where unexpected’ (ibid., p.52).

Book 2 – Martial Secret Teaching

13. Opening Instructions

‘You should cultivate your Virtue, submit to the guidance of Worthy men, extend beneficence to the people, and observe the Tao of Heaven (ibid., p.53).

‘He who does not take from the people takes the people. He who does not take (from) the people, the people will profit. He who does not take (from) the states, the states will profit. He who does not take from All under Heaven, All under Heaven will profit. Thus the Tao lies in what cannot be seen; affairs lie in what cannot be heard; and victory lies in what cannot be known. How marvelous! How subtle!’

‘Now there is the case of Shang, where the people muddle and confuse each other. Mixed up and extravagant, their love of pleasure and sex is endless. This is a sign of a doomed state. I have observed their fields – weeds and grass overwhelm the crops. I have observed their people – the perverse and crooked overcome the
straight and upright. I have observed their officials – they are violent, perverse, inhumane, and evil. They overthrow the laws and make chaos of the punishments. Neither the upper nor lower ranks have awakened to this state of affairs. It is time for their state to perish’ (ibid., p.54).

14. Civil Instruction

‘What does the Sage preserve?’
'The Sage preserves the Tao of actionless action, and the myriad things are transformed. What is exhausted? When things reach the end they return again to the beginning. Relaxed and complacent he turns about, seeking it. Seeking it he gains it and cannot but store it. Having already stored it he cannot but implement it. Having already implemented it he does not turn about and make it clear [that he did so]. Now because Heaven and Earth do not illuminate themselves, they are forever able to give birth [to the myriad things]. The Sage does not cast light upon himself so he is able to attain a glorious name.'

'The people of the world are like flowing water. If you obstruct it, it will stop. If you open the way, it will flow. If you keep quiet, it will be clear. How spiritual! When the Sage sees the beginning, he knows the end’ (ibid., p.55).

15. Civil Offensive

'There are measures for civil offensive:

1. Accord with what he likes in order to accommodate his wishes. He will eventually grow arrogant and invariably mount some perverse affair. If you can appear to follow along, you will certainly be able to eliminate him.

2. Become familiar with those he loves in order to fragment his awesomeness.

3. Covertly bribe his assistants, fostering a deep relationship with them.

Chapter 15 sets out the 12 measures for civil offensive, being the manner in which you may undermine a Ruler's authority and power base so that by the time he is aware of your actions, it is already too late they have lost their position. Extracts from this chapter are included as they represent a key element of the text, however, it is noted that many contemporary Western business persons would consider such actions as repulsive.
4. Assist him with his licentiousness and indulgence in music in order to dissipate his will.

5. Treat his loyal officials very generously; but reduce your gifts you provide [to the ruler].

6. Make secret alliances with his favored ministers, but visibly keep his less favored outside officials at a distance.

7. If you want to bind his heart to you, you must offer generous presents. To gather in his assistants, loyal associates, and loved ones, you must secretly show them the gains they can realise by colluding with you.

8. Gift him with great treasures, and make plans with him. When the plans are successful and profit him, he will have faith in you because of the profits. This is what is termed "being closely embraces".

9. Honor him with praise.

10. Be submissive so that he will trust you, and thereby learn about his true situation.

11. Block his access to the Tao.

12. Support his dissolute officials in order to confuse him. Introduce beautiful women and licentious sounds in order to befuddle him. Send him outstanding dogs and horses in order to tire him. From time to time allow him great power in order to entice him [to greater arrogance].'

'When these twelve measures are fully employed, they will become a military weapon' (ibid., p.56,57).

16. Instructions on According with the People

'What should one do so that he can govern All under Heaven?'

'When your greatness overspreads All under Heaven, only then will you be able to encompass it. When your trustworthiness has overspread All under Heaven, only then will you be able to make covenants with it. When your benevolence has overspread All under Heaven, only then will you be able to embrace it. When your grace has overspread All under Heaven, only then can you preserve it. When your authority covers the world, only then will you be able not to lose it. If you govern without doubt, then the revolutions of Heaven will not be able to shift [your rule] nor the changes of the seasons be able to affect it. Only when these six are complete will you be able to establish a government for All under Heaven' (ibid., p.57,58).
17. Three Doubts

'.......I am afraid that our strength will be inadequate to attack the strong, to estrange his close supporters within the court, and disperse his people. What should I do?'

'Accord with the situation, be very cautious in making plans, and employ your material resources. Now in order to attack the strong, you must nurture them to make them even stronger, and increase them to make them even more extensive. What is too strong will certainly break; what is too extended must have deficiencies. Attack the strong through his strength.'

'Now in the Tao of planning, thoroughness and secrecy are treasured.'

'If you want to cause his close supporters to become estranged from him, you must do it by using what they love – making gifts to those he favors, giving them what they want.'

'Now without doubt the Tao for attacking is to first obfuscate the king’s clarity and then attack his strength, destroying his greatness and eliminating the misfortune of the people.'

'The mind is the means to open up knowledge; knowledge the means to open up the source of wealth; and wealth the means to open up the people. Gaining the allegiance of the people is the way to attract Worthy men' (ibid., p.58,59).

Book 3 – Dragon Secret Teaching

18. The Kings Wings

'When the king commands the army he must have “legs and arms” [top assistants] and “feathers and wings” [aides] to bring about his awesomeness and spirituality. How should this be done?'

'Whenever one mobilizes the army it takes the commanding general as its fate.'
Its fate lies in a penetrating understanding of all aspects, not clinging to one technique. In accord with their abilities assign duties – each one taking charge of what they are good at, constantly changing and transforming with the times, to create the essential principles and order (ibid., p.60-62).

19. A Discussion of Generals

‘What should a general be?’
‘Generals have five critical talents and ten excesses’

‘What we refer to as the five talents are courage, wisdom, benevolence, trustworthiness, and loyalty. If he is courageous he cannot be overwhelmed. If he is wise he cannot be forced into turmoil. If he is benevolent he will love his men. If he is trustworthy he will not be deceitful. If he is loyal he will not be of two minds.’

What are referred to as the ten errors are as follows: being courageous and treating death lightly; being hasty and impatient; being greedy and loving profit; being benevolent but unable to inflict suffering; being wise but afraid; being trustworthy and liking to trust others; being scrupulous and incorruptible but not loving men; being wise but indecisive; being resolute and self-reliant; and being fearful while liking to entrust responsibility to other men.

‘One who is courageous and treats death lightly can be destroyed by violence. One who is hasty and impatient can be destroyed by persistence. One who is greedy and loves profit can be bribed. One who is benevolent but unable to inflict suffering can be worn down. One who is wise but fearful can be distressed. One who is trustworthy and likes to trust others can be deceived. One who is scrupulous and incorruptible but does not love men can be insulted. One who is wise but is indecisive can be suddenly attacked. One who is resolute and self-reliant can be confounded by events. One who is fearful and likes to entrust responsibility to others can be tricked.’

‘Thus warfare is the greatest affair of state, the Tao of survival or extinction. The fate of the state lies in the hands of the general. The general is the support of the state, a man that the former kings all valued. Thus commissioning a general, you cannot but carefully evaluate and investigate his character’ (ibid., p.62,63).
20. Selecting Generals

The chapter commences with a recital of the necessary character traits as noted above then proceeds to consider the selection process:

‘…….external appearance and internal character do not visibly cohere’

‘How does one knows this?’
‘There are eight forms of evidence by which you may know it. First, question them and observe the details of their reply. Second, verbally confound and perplex them and observe how they change. Third, discuss things which you have secretly learned to observe their sincerity. Fourth, clearly and explicitly question them to observe their virtue. Fifth, appoint them to positions of financial responsibility to observe their honesty. Sixth, test them with beautiful women to observe their uprightness. Seventh, confront them with difficulties to observe their courage. Eighth, get them drunk to observe their deportment. When all eight have been fully explored, then the Worthy and unworthy can be distinguished’ (ibid., p.63,64).

21. Appointing the General

The chapter principally reviews the ritual of appointing a general, however, it highlights two important points. Firstly, that such appointment must be undertaken in such a way as to properly and publicly vest the general with the authority he is about to be given and secondly, that the state cannot and must not interfere with the authority of the general.

‘Military matters are not determined by the ruler’s commands; they all proceed from the commanding general’ (ibid., p.65).

22. The General’s Awesomeness

‘The general creates awesomeness by executing the great, and becomes enlightened by rewarding the small.’

‘When punishments reach the pinnacle and rewards penetrate to the lowest, then your awesomeness has been effected’ (ibid., p.65,66).
23. Encouraging the Army

‘A general has three techniques for attaining victory.’
‘If in winter the general does not wear a fur robe, in summer does not carry a fan, and in rain does not set up a canopy, he is called a ‘general of proper form’. Unless the general himself submits to these observances, he will not have the means to know the cold and warmth of the officers and soldiers.’

‘If, when they advance into ravines and obstacles or encounter muddy terrain, the general always takes the first steps, he is termed a ‘general of strength’. If the general does not personally exert his strength, he has no means to know the labors and hardships of the officers and soldiers.’

‘If, only after the men are settled in their encampment does the general retire;..............he is termed a ‘general who stifles desire’. Unless the general himself practices stifling his desires, he has no way to know the hunger and satiety of the officers and troops.’

‘.........When the naked blades clash, the officers will compete to be the first to go forward. It is not because they like death and take pleasure in being wounded, but because the general knows their feelings of heat and cold, hunger and satiety, and clearly displays his knowledge of their labor and suffering’ (ibid., p.66,67).

24. Secret Tallys

The chapter reviews the need for a means of secret communication between the general and the ruler and provides guidelines for the implementation of such.

25. Secret Letters

This chapter continues the theme developed in chapter 24 but considers a means whereby more complex matters maybe secretly and securely communicated.

26. The Army’s Strategic Power

‘What is the Tao for aggressive Warfare?’

‘Strategic power is exercised in accord with the enemy’s movements. Changes stem from the confrontation between the two armies. Unorthodox [ch’i] and orthodox
(Cheng) tactics are produced from the inexhaustible resources [of the mind]. Thus
the greatest affairs are not discussed, and the employment of troops is not spoken
about. Moreover, words which discuss ultimate affairs are not worth listening to.
The employment of troops is not so definitive as to be visible. They go suddenly,
they come suddenly. Only someone who can exercise sole control, without being
governed by other men, is a military weapon' (ibid., p.68).

'In military affairs nothing is more important than certain victory. In employing the
army nothing is more important than obscurity and silence. In planning nothing is
more important than not being knowable.'

'One who excels at warfare will await events in the situation without any
movement. When he sees he can be victorious, he will arise; if he sees he cannot be
victorious, he will desist. Thus it is said he does not have any fear, he does not
vacillate. Of the many harms that can beset an army, vacillation is the greatest. Of
disasters that can befall an army, none surpass doubt' (ibid., p.69).

27. The Unorthodox Army

'In general, what are the great essentials in the art of employing the army.'

'…Their success and defeat in all cases proceeded from the spiritual employment
of strategic power [shih]. Those who attained it flourished; those who lost it
perished' (ibid., p.70).

'One who does not know how to plan for aggressive warfare cannot be spoken with
about the enemy. One who cannot divide and move [his troops about] cannot be
spoken with about unorthodox strategies. One who does not have a penetrating
understanding of both order and chaos cannot be spoken with about changes.'

'Accordingly it is said:
If the general is not benevolent, the Three Armies will not be close to him.
If the general is not courageous, then the Three Armies will not be fierce.
If the general is not wise, then the Three Armies will be greatly perplexed.
If the general is not perspicacious, then the Three Armies will be confounded.
If the general is not quick witted and acute, then the Three Armies will lose the
moment.
If the general is not constantly alert, the Three Armies will waste their preparations.
If the general is not strong and forceful, the Three Armies will fail in their duty.
Thus the general is their Master of Fate" (ibid., p.71,72).

28. The Five Notes
The chapter provides a brief discussion of spiritual relationship of the five tonal
sounds to warfare.

29. The Army’s Indications
‘Before engaging in battle I want to first know the enemy’s strengths and
weaknesses, to foresee indications of victory or defeat. How can this be done?’
‘Indications of victory and defeat will be first manifest in their spirit. The
enlightened general will investigate them, for they will be evidenced in the men’
(ibid., p.73).

30. Agricultural Implements
The chapter provides a discussion regarding the maintenance of fighting skills and
equipment during periods of peace.

Book 4 -Tiger Secret Teaching

31. The Army’s Equipment
The chapter reviews the rules for equipping the army.

32. Three Deployments
The chapter reviews methods of troop deployment.

33. Urgent Battles
The chapter reviews battle tactics where troops are surrounded.

34. Certain Escape
The chapter again reviews battle tactics where troops are cut off and supply lines
severed.
35. Planning for the Army

The chapter considers the importance of proper planning so that the correct equipment is available and troops train in its use.

36. Approaching the Border, 37. Movement and Rest

These chapters again review battle tactics.

38. Gongs & Drums

‘.....confronting the enemy..' ‘In general, for the Three Armies, alertness makes for solidity, laziness results in defeat. Order our guards on the ramparts to unceasingly challenge everyone. Have all those bearing the signal flags, both inside and outside the encampment, watch each other, responding to each other’s orders with countersigns, but do now allow them to make any noise. All efforts should be externally oriented’ (ibid., p.85).

39. Severed Routes

‘Now the rule for commanding an army is always to first dispatch scouts far forward so that when you are two hundred li from the enemy.............Also establish two rear guard armies to the rear – the further one hundred li away.......’ (ibid., p.86).

40. Occupying Enemy Territory, 41. Incendiary Warfare, 42. Empty Fortifications

The chapter reviews battle tactics in besieging cities, incendiary (use of fire) warfare, and surveillance respectively.

Book 5 - Leopard Secret Teaching

43. Forest Warfare

The chapter reviews tactics for fighting in forests.

44. Explosive Warfare

‘Suppose the enemy’s [advance forces] have penetrated deep into our territory and are ranging widely....
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‘[An enemy] in situations such as this is referred to as an ‘Explosive Force’. Their oxen and horses will certainly not have been fed; their officers and troops will have broken their supply routes, having explosively attacked and advanced’ (ibid., p.90).

45. Strong Enemy

‘The enemy is numerous, while we are few.’

‘It is more advantageous to go out and fight; you cannot be defensive.’


The chapters review battle tactics where facing superior numbers and various types of terrain.

Book 6 - Canine Secret Teaching

51. Dispersing and Assembling

‘Those who arrived before the appointed time should be rewarded. Those who arrived afterward should be executed. In this way both the near and distant will race to assemble, and The Three Armies will arrive together, uniting strength to engage in the battle’ (ibid., p.96).

52. Military Vanguard

The chapter reviews the most opportune times to attack the enemy.

53. Selecting Warriors

The chapter reviews the method of selecting warriors and bases such selection upon skills, motivation and personality traits, and matching these abilities to tasks at hand.

54. Teaching Combat

‘….The generals should clearly instruct the commanders and officers, explaining the orders three times…….Thus when teaching the commanders and officers, one man who has completed their study of combat instructions will extend them to one
hundred men. One hundred men who have completed their study of combat
instruction will extend them to one thousand men. . . .(ibid., p.99).

55. Equivalent Forces
The chapter considers the ‘worth of various battle equipment’ by measuring such in
terms of equivalent manpower.

56. Martial Chariot Warriors, 57. Martial Cavalry Warriors, 58. Battle Chariots,
59. Cavalry in Battle, 60. The Infantry in Battle
The chapters review the physical traits of troops for chariot and cavalry work and a
discussion of tactics for chariots, cavalry and infantry.

➢ 8.4.2 The Methods of the Ssu-ma

8.4.2.1 Introduction
The Ssu-ma Fa is a terse, enigmatic work that is believed to have been compiled about
the mid-fourth century BC (Warring States period)(ibid., p.115). Its origin, however,
is most likely to be found in antiquity with every account of its inception identifying it
with the state of Ch’i. Ch’i, historically, is considered the birth place of Chinese
military studies having received its impetus from the T’ai Kung who was enfeoffed¹
as its first King.

Some historians believe that T’ai Kung’s early works may have provided a foundation
for this work. Further, during the Spring and Autumn and the Warring States period,
Ch’i was the hub of Chinese military studies as evidenced by the presence of Sun-tzu,
Sun Pin and Wei Liao-tzu (see later). Sun Pin was in fact a distant relative of Ssu-ma
Jang-chu (a possible author of this work (ibid., p.112)) and may well have been active
during the compilation of the work. After the works of Sun-tzu and Sun Pin, it is
 accorded the most authenticity of any military work.

¹ Enfeoffed describes the act of putting a person in the possession of a fief under the feudal system
The title, Ssu-ma Fa, is best translated as 'The Methods of the Minister of War', however, the content of the work includes discussions of law and regulation, government policy, military organisation, administration and discipline, and issues of strategies and basic values. Literally Ssu-ma means 'the officer in charge of horses', and because of the military importance of horses, became over time a title designating military matters in general (ibid., p.111).

The role of the minister of war may be gleaned from the following introduction to the Ssu-ma Fa:

'The Minister of War controlled the government of the dependent states, administered the Six Armies, and pacified the peripheral territories. Thus he ranked among the six chief ministers of state. When in court he assisted the Son of Heaven in administering the government; when he went out he was the chief general of the army of rectification, settling the rebellious' (ibid., p.112).

Unfortunately, only five chapters of the original work of purportedly 155 chapters remains in existence today, although these chapters are considered to be faithful transmissions of the original work (ibid., p.115). These remaining chapters cannot be considered to be a complete work not only because so many chapters have been lost, but also due to their failure to consider at any depth strategy or battle tactics. However, these remaining chapters have been preserved and transmitted since the T'ang dynasty (ibid., p.115).

The contribution that these remaining works make may be considered under three headings; Warfare and Fundamental Values, the Distinction of the Civilian and Martial realms and the Importance of People.

➢ Warfare and Fundamental Values

The Ssu-ma Fa naturally postulates that warfare is of vital importance to the state and continues the theme of righteous and humane government, however, it goes on to express that the 'conscious exploitation of force is the foundation of political power'.
However, it equally warns that becoming entralled with war will only lead to self-destruction (ibid., p.116).

It further considers the martial aspects of Training, Spirit and Courage and Battle Management.

Training is considered to be the foundation that underpins the troops potential worth in battle. Further that the cultural differences amongst the troops must be taken into account to ensure their training is effective (ibid., p.120).

‘Spirit and Courage’ receives substantial attention in the text. Motivating men, manipulating spirit and fostering courage are the objects of its consideration (ibid., p.121).

The focus of battle management is the importance of leadership, strategic analysis, and the appropriate employment of forces (ibid., p.124).

➢ *The Distinction of the Civilian and Martial Realms*

The contributors to the text emphasised the importance of the separation of military and civilian affairs because of their contradictory values. This is a distinct departure from previous practices where rulers combined these tasks (ibid., p.117).

The reliance upon virtue in proper government remains unchanged; benevolence, righteousness, faith, trust, loyalty, virtue, courage, and wisdom.

➢ *The Importance of People*

The *Ssu-ma Fa* continues the theme of the importance of providing for the people and that the sole reason for mobilisation of forces is the provision of their welfare (ibid., p.119).
8.4.2.2 Review and Extract of Text

1. Benevolence the Foundation

‘In antiquity, taking benevolence as the foundation and employing righteousness to govern constituted “uprightness”. However, when uprightness failed to attain the desired [moral and political] objectives, [they resorted to] authority. Authority comes from warfare, not from harmony among men. For this reason if one must kill men to give peace to the people, then killing is permissible. If one must attack a state out of love for their people, then attacking it is permissible. If one must stop war with war, although it is war it is permissible.’

‘Thus even though a state may be vast, those who love warfare will inevitably perish. Even though calm may prevail under Heaven, those who forget warfare will certainly be endangered!’

2. Obligations of the Son of Heaven

‘Even though there is an enlightened ruler, if the officers are not first instructed, they cannot be used.’

‘In antiquity the form and spirit governing civilian affairs would not be found in the military realm; those appropriate to the military realm would not be found in the civilian sphere. The virtue and righteousness did not transgress inappropriate realms’ (ibid., p.129).

‘Shun made the official announcement of their mission within the state [capital] because he wanted the people to first embrace his orders. The rulers of the Hsia dynasty administered their oaths amidst the army for they wanted the people to first complete their thoughts. Their Shang rulers swore their oaths outside the gate to the encampment for they wanted the people to first fix their intentions and await the conflict. [King Wu] of the Chou waited until the weapons were about to clash and then swore his oath in order to stimulate the people’s will [to fight]’ (ibid., p.130).

In antiquity the form and spirit governing civilian affairs would not be found in the military realm; those appropriate to the military realm would not be found in the
civilian sphere. If the form and spirit [appropriate to the] military enter the civilian sphere, the Virtue of the people will decline. When the form and spirit [appropriate to the] civilian sphere enter the military realm, then the Virtue of the people will weaken' (ibid., p.131).

3. Determining Rank

‘In general, warfare is a question of strategic balance of power [ch’uan], and combat is a matter of courage. The deployment of formations is a matter of skill. Employ what [your men] want, and effect what they are capable of; abolish what they do not want and are incapable of. Do the opposite of this to the enemy.’

‘In general, warfare is a question of having Heaven, material resources, and excellence’ (ibid., p.134).

‘Whenever affairs are well executed they will endure; when they accord with ancient ways they can be effected. When the oath is clear and stimulating the men will be strong, and you will extinguish [the effects] of baleful omens and auspicious signs.’

‘The Tao for eliminating baleful omens [and auspicious signs] is as follows. One is called righteousness. Charge [the people] with good faith, approach them with strength, establish the foundation [of kingly government], and unify the strategic power of All under Heaven. There will not be any men who are not pleased, so this termed “doubly employing the people.’

‘As for the Tao of Warfare: After you have aroused [the people’s] ch’i [spirit] and moreover enacted government measures [such as rewards and punishments], encompass them with a benign countenance, and lead them with your speeches. Upbraid them in accord with their fears; assign affairs in accord with their desires. When you have crossed the enemy’s borders and taken control of his territory, appoint people to the tasks of government. These are termed “methods of war’’’ (ibid., p.136).
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‘In general the Tao for imposing order on chaos consists of first, benevolence; second, credibility; third, straightforwardness; fourth, unity; fifth, righteousness; sixth, charge [wrought by authority]; seventh, centralised authority.’

‘The Tao for establishing the laws consists of first, acceptance [of constraints]; second, the laws; third, the establishment [of talented and upright]; fourth, urgency [in administration]; fifth, distinguishing them with insignia; sixth, ordering the colors; seventh, no nonstandard uniforms among the officers.’

‘As for the army, when the [power of the] law lies solely with oneself, it is termed “centralised”. When those below the ruler all fear the law, it is termed “law”. When the army does not listen to minor affairs; when in battle it does not concern itself with small advantages; and when on the day of conflict it successfully completes its plans in subtle fashion, it is termed “the Tao”.’

‘As for warfare: When upright methods do not prove effective, then centralised control of affairs [must be undertaken]. [If the people] do not submit [to Virtue], then laws must be imposed. If they do not trust each other, they must be unified. If they are dilatory, move them; if they are doubtful, change [their doubts]. If the people do not trust the ruler, then whatever is promulgated must not be revised. This had been the administrative rule from antiquity’ (ibid., p.137).

4. Strict Positions

‘In general, in warfare: It is not forming a battle array that is difficult; it is reaching the point that the men can be ordered into formation that is hard. It is not attaining the ability to order them into formation that is difficult; it is reaching the point of being able to employ them that is hard. It is not knowing what to do that is difficult; it is putting it into effect that is hard. Men from each [of the four quarters] have their own nature. Character differs from region to region. Through teaching they come to have regional habits, the customs of each state [thus] being different. [Only] through the Tao are their customs transformed.’

In general, if in warfare you are victorious, share the achievement and praise with the troops. If you are about to reengage in battle, then make their rewards exceptionally generous and the punishments heavier. If you fail to direct them to
victory, accept the blame yourself. If you must fight again, swear an oath and assume a forward position. Do not repeat your previous tactics. Whether you win or not, do not deviate from this method, for it is termed the “True Principle”.

In general, with regard to the people: Rescue them with benevolence; engage in battle with righteousness; make decisions through wisdom; fight with courage; exercise sole authority through credibility; encourage them with profits; and gain victory through achievements. Thus the mind must embody benevolence and actions should incorporate righteousness. Relying on [the nature of] things is wisdom; relying on the great is courage; relying on long-standing [relations leads to] good faith. Yielding results in harmony, and the men of themselves will be deferential. If men attribute failings to themselves, they will compete to be worthy. When men are pleased in their hearts, they will exhaust their strength (ibid., p. 141).

5. Employing Masses

‘In general, as for the Tao of Warfare: When you employ a small number they must be solid. When you employ a large mass they must be well ordered. With a small force it is advantageous to harass the enemy; with a large mass it is advantageous to use orthodox [tactics]. When employing a large mass advance and stop; when employing a small number advance and withdraw’ (ibid., p.142).

‘In general, as for warfare: If you move first [it will be easy] to become exhausted. If you move after [the enemy, the men] may become afraid. If you rest, [the men may] become lax; if you do not rest, they may also become exhausted. Yet if you rest very long, on the contrary, they may also become afraid (ibid., p.143).

➢ 8.4.3 Sun-Tzu: The Art of War

8.4.3.1 Introduction

The Art of War has received the most attention of all the Seven Military Classics in the Western world with it first being translated some two hundred years ago into
French. It has also for the past two thousand years remained the most important military treatise in Asia, where even common people knew it by name (ibid., p149).

The *Art of War* is traditionally attributed to the historical person Sun Wu who was believed active during the sixth century BC. If the biographies of Sun Wu are accurate, he was entrusted with overall military command of the state of Wu which for the previous fifty years had been at war with the neighboring state of Ch’u (Sawyer 1996a, p.2,7). It is during this time that his exploits came to fame.

The book as passed down over the centuries consists of thirteen chapters of varying length, each of which ostensibly focus on a specific topic. At the time that the *Art of War* was composed, warfare had advanced to the stage that virtually every state was fighting for its life. Warfare therefore was of vital interest to every state. Sun Tzu’s approach to employing the army was thoroughly analytical, mandating careful planning and the formation of an overall clear strategy before commencing a campaign. He also advocated that it was of vital importance to the welfare of a state that actual combat be avoided where possible and that any unavoidable campaigns be swift. Prolonged campaigns were considered to drain too heavily on a state’s resources. As with previous strategists the character and capabilities of the General were considered to be determinative of an army’s fate. Tactically, Sun Tzu considered an understanding of terrain and its implications of vital importance and that the goal of a general should be to manipulate the enemy thereby creating the opportunity for victory. The concepts of *ch’i* and *shih*, life energy and strategic configuration of power, received prominent attention in the *Art of War* (Sawyer 1993b, p.153-156).

8.4.3.2 Review and Extract of Text

1. **Initial Estimations**

   ‘Warfare is the greatest affair of state, the basis of life and death, the Tao to survival or extinction. It must be thoroughly pondered and analyzed’ (Sawyer 1996a, p.40).
‘Therefore, structure it according to the following five factors, evaluate it comparatively through estimations, and seek out its true nature. The first is termed the Tao, the second Heaven, the third Earth, the fourth generals, and the fifth the laws for military organisation and discipline.’

‘The Tao causes the people to be fully in accord with the ruler. Thus they will die with him; they will live with him and not fear danger.’

‘Heaven encompasses yin and yang, cold and heat, and the constraints of the seasons.’

‘Earth encompasses far or near, difficult or easy, expansive or confined, fatal or tenable terrain.’

‘The general encompasses wisdom, credibility, benevolence, courage, and strictness.’

‘The laws for military organisation and discipline encompass organisation and regulations, the tao of command, and the management of logistics.’

‘There are no generals who have not heard of these five. Those who understand them will be victorious; those who do not understand them will not be victorious.’ (ibid., p.40)

‘Thus when making a comparative evaluation through estimations, seeking out its true nature, ask:

Which ruler has the Tao?
Which general has greater ability?
Who has gained the advantages if Heaven and Earth?
Whose laws and orders are more thoroughly implemented?
Whose forces are stronger?
Whose officers and troops are better trained?
Whose rewards and punishments are clearer?

From these I will know victory and defeat!’ (ibid., p.41)

‘After estimating the advantages in accord with what you have heard, put it into effect with strategic power supplemented by field tactics that respond to external factors. As for strategic power, it is controlling the tactical imbalance of power in accord with the gains to be realised.'
‘Warfare is the Tao of deception. Thus although you are capable, display incapability to them. When committed to employing your forces, feign inactivity. When your objective is nearby, make it appear as if distant; when far away, create the illusion if being nearby’ (ibid., p.41).

‘Before the engagements, one who determines in the ancestral temple that he will be victorious has found that the majority of factors are in his favor. Before the engagement one who determines in the ancestral temple that he will not be victorious has found few factors are in his favor’ (ibid., p.42).

2. Waging War

‘When employing them in battle, a victory that is long in coming will blunt their weapons and dampen their ardor. If you attack cities, their strength will be exhausted. If you expose the army to a prolonged campaign, the state’s resources will be inadequate.

When our weapons have grown dull and spirits depressed, when our strength has been expended and resources consumed, then the feudal lords will take advantage of our exhaustion to arise. Even though you have wise generals, they will not be able to achieve a good result.

Thus in military campaigns I have heard of awkward speed but have never seen any skill in lengthy campaigns. No country has ever profited from protracted warfare. Those who do not thoroughly comprehend the dangers inherent in employing the army are incapable of truly knowing the potential advantages of military actions’ (ibid., p.46).

‘Thus what motivates men to slay the enemy is anger; what stimulates them to seize profits from the enemy is material goods’ (ibid., p.47).

‘Thus the army values being victorious; it does not value prolonged warfare. Therefore, a general who understands warfare is Master of Fate for the people, ruler of the state’s security or endangerment’ (ibid., p.48).

3. Planning Offensives

‘...For this reason attaining one hundred victories in one hundred battles is not the pinnacle of excellence. Subjugating the enemy’s army without fighting is the true pinnacle of excellence.’
Thus the highest realisation of warfare is to attack the enemy’s plans; next is to attack their alliances; next to attack their army; and the lowest is to attack their fortified cities’ (ibid., p. 50).

Thus there are three ways by which an army is put into difficulty by a ruler:

He does not know that the Three Armies should not advance but instructs them to advance or does not know that the Three Armies should not withdraw and orders a retreat. This is termed ‘entangling the army’.

He does not understand the Three Armies’ military affairs but directs them in the same way as his civil administration. Then the officers will become confused.

He does not understand the Three Armies’ tactical balance of power but undertakes responsibility for command. Then the officers will be doubtful’ (ibid., p. 52).

Thus there are five factors from which victory can be known:

One who knows when he can fight, and when he cannot fight, will be victorious.

One who recognises how to employ large and small numbers will be victorious.

One whose upper and lower ranks have the same desires will be victorious.

One who, fully prepared, awaits the unprepared will be victorious.

One whose general is capable and not interfered with by the ruler will be victorious.

These five are the Tao to know victory.’

Thus it is said that one who knows the enemy and knows himself will not be endangered in a hundred engagements, One who does not know the enemy but knows himself will sometimes be victorious, sometimes meet with defeat. One who knows neither the enemy nor himself will invariably be defeated in every engagement’ (ibid., p. 52).

4. Military Dispositions

‘In antiquity those that excelled in warfare first made themselves unconquerable in order to await the moment when the enemy could be conquered.

Being unconquerable lies with yourself; being conquered lies with the enemy. Thus one who excels in warfare is able to make himself unconquerable, but cannot necessarily cause the enemy to be conquerable. Thus it is said a strategy for conquering the enemy can be known but yet not possible to implement' (ibid., p.56).

'Thus one who excels at warfare first establishes himself in a position where he cannot be defeated while not losing any opportunity to defeat the enemy. For this reason, the victorious army first realises the conditions for victory, and then seeks to engage in battle. The vanquished army fights first, and then seeks victory.' One who excels at employing the military cultivates the Tao and preserves the laws; therefore, he is able to be the regulator of victory and defeat (ibid., p.57).

5. Strategic Military Power

'The general, commanding a large number is like commanding a few. It is a question of dividing up the numbers. Fighting with a large number is like fighting with a few. It is a question of configuration and designation.'

'The general, in battle one engages with the orthodox and gains victory through the unorthodox. Thus one who excels at sending forth the unorthodox is as inexhaustible as Heaven, as unlimited as the Yangtze and Yellow rivers.'

'The general, in warfare the strategic configurations of power do not exceed the unorthodox and orthodox, but the changes of the unorthodox and orthodox can never be completely exhausted. The unorthodox and orthodox mutually produce each other, just like an endless cycle. Who can exhaust them? (ibid., p.62).

'Thus one who excels at warfare seeks victory through the strategic configuration of power, not from reliance on men. Thus he is able to select men and employ strategic power.'

'The general, in warfare the strategic configurations of power do not exceed the unorthodox and orthodox, but the changes of the unorthodox and orthodox can never be completely exhausted. The unorthodox and orthodox mutually produce each other, just like an endless cycle. Who can exhaust them? (ibid., p.62).

'Thus one who excels at warfare seeks victory through the strategic configuration of power, not from reliance on men. Thus he is able to select men and employ strategic power.'

'One who employs strategic power commands men in battle as if he were rolling logs and stones. The nature of wood and stone is to be quiet when stable but to move when on precipitous ground' (ibid., p.63).
6. Vacuity & Substance

‘Thus when someone excels in attacking, the enemy does not know where to mount his defense; when someone excels at defense, the enemy does not know where to attack’ (ibid., p.68).

‘Thus critically analyse them to know the estimations for gain and loss. Stimulate them to know the patterns of their movement and stopping. Determine their disposition of force to know the tenable and fatal terrain. Probe them to know where they have an excess, where an insufficiency. Thus the pinnacle of military deployment approaches the formless. If it is formless, then even the deepest spy cannot discern it or the wise make plans against it (ibid., p.70).

‘Thus the army does not maintain any constant strategic configuration of power, water has no constant shape. One who is able to change and transform in accord with the enemy and wrest victory is termed spiritual. Thus none of the five phases constantly dominates; the four seasons do not have constant positions; the sun shines for longer and shorter periods; and the moon wanes and waxes’ (ibid., p.71).

7. Military Combat

‘Thus combat between armies is advantageous; combat between masses is dangerous’ (ibid., p.76).

‘Thus the army is established by deceit, moves for advantage, and changes through segmenting and reuniting. Thus its speed is like the wind, its slowness like the forest; its invasion and plundering like a fire; unmoving, it is like the mountains. It is as difficult to know as the darkness; in movement it is like thunder.’

‘The Military Administration states: ‘Because they could not hear each other they made gongs and drums; because they could not see each other they made pennants and flags. Gongs, drums, pennants, and flags are the means to unify the men’s ears and eyes. When the men have been unified the courageous will not be able to advance alone, the fearful will not be able to retreat alone. This is the method for employing large numbers’ (ibid., p.78).
‘The *ch‘i* (spirit) of the Three Armies can be snatched away; the commanding general’s mind can be seized. For this reason in the morning their *ch‘i* is ardent; during the day their *ch‘i* becomes indolent; at dusk their *ch‘i* is exhausted. Thus one who excels at employing the army avoids their ardent *ch‘i* and strikes when it is indolent or exhausted. This is the way to manipulate *ch‘i* (ibid., p.78).

‘Thus the strategy for employing the military: Do not approach high mountains; do not confront those who have hills behind them. Do not pursue feigned retreats. Do not attack animated troops. Do not swallow an army acting as bait. Do not obstruct an army retreating homeward. If you besiege an army you must leave an outlet. Do not press an exhausted invader. These are the strategies for employing the military (ibid., p.79).

8. Nine Changes

‘In general, the strategy for employing the military is this. After the general has received his commands from the ruler, united the armies, and assembled the masses:

- Do not encamp on entrapping terrain.
- Unite with your allies on focal terrain.
- Do not remain on isolated terrain.
- Make strategic plans for encircled terrain.
- On fatal terrain you must do battle.
- There are roads that are not followed.
- There are armies that are not attacked.
- There are fortified cities that are not assaulted.
- There is terrain for which one does not contend.
- There are commands from the ruler that are not accepted’ (ibid., p.82).

‘Thus the strategy for employing the army: Do not rely on their not coming, but depend on our having the means to await them. Do not rely on their not attacking, but depend on our having an unassailable position.’

‘Thus generals have five dangerous character traits:

- One committed to dying can be slain.
- One committed to living can be captured.
- One easily angered and hasty to act can be insulted.
One obsessed with being scrupulous and untainted can be shamed.
One who loves the people can be troubled.’

‘Now these five dangerous traits are excesses in a general, potential disaster for employing the army. The army’s destruction and the general’s death will invariably stem from these five, so they must be investigated’ (ibid., p.84).

9. Maneuvering the Army

‘One whose troops repeatedly congregate in small groups here and there, whispering together, has lost the masses. One who frequently grants rewards is in deep distress. One who frequently imposes punishments is in great difficulty, One who is at first excessively brutal and then fears the masses is the pinnacle of stupidity’ (ibid., p.91).

‘If you impose punishments on the troops before they have become attached, they will not be submissive. If they are not submissive, they will be difficult to employ. If you do not impose punishments after the troops have become attached, they cannot be used.’

‘If orders are consistently implemented to instruct the people, then the people will submit. If orders are not consistently implemented to instruct the people, then the people will not submit. One whose orders are consistently carried out has established a mutual relationship with the people’ (ibid., p.92).

10. Configurations of Terrain

‘The major configurations of terrain are accessible, suspended, stalemated, constricted, precipitous, and expansive.’

‘Now these six are the Tao of terrain. Any general who undertakes responsibility for command cannot but investigate them.’

‘Configuration of terrain is an aid to the army. Analysing the enemy, taking control of victory, estimating ravines and defiles, the distant and near, is the Tao of the superior general. One who knows these and employs them in combat will certainly
be victorious. One who does not know these or employ them in combat will certainly be defeated.'

'There are six types of ill-fated armies: running off, lax, sinking, crumbling, chaotic, and routed. Now these six are not disasters brought about by Heaven and Earth but by the general's errors. Now if, when their strategic power is equal, one attacks ten, it is termed running off. If the troops are strong but the officers are weak, it is termed lax. If the officers are strong but the troops weak, it is termed sinking. If the higher officers are angry and insubordinate, engaging the enemy themselves out of unrestrained anger while the general does not yet know their capability, it termed crumbling. If the general is weak and not strict, unenlightened in his instructions and leadership; the officers and troops lack constant duties; and their deployment of troops into formation is askew, it is termed chaotic. If the general, unable to fathom the enemy, engages a large number with a small number, attacks the strong with the weak while the army lacks a properly selected vanguard, it is termed routed. Now these six are the Tao of defeat. Any general who undertakes responsibility for command cannot but investigate them.'

'Thus a general who does not advance to seek fame, nor fail to retreat to avoid being charged with the capital offense of retreating, but seeks only to preserve the people and gain advantage for the ruler is the state's treasure' (ibid., p.98).

'Knowing that the enemy can be attacked, and knowing that our army can effect the attack, but not knowing the terrain is not suitable for combat, is only halfway to victory. Thus one who truly knows the army will never be deluded when he moves, never be impoverished when initiating an action.'

'Thus it is said if you know them and know yourself, your victory will not be imperiled. If you know Heaven and know Earth, your victory can be complete' (ibid., p.99).
11. Nine Terrains

‘In antiquity those who were referred to as excelling in the employment of the army were able to keep the enemy’s forward and rear forces from connecting; the many and few from relying in each other; the noble and lowly from coming to each other’s rescue; the upper and lower ranks from trusting each other; the troops to be separated, unable to reassemble, or when assembled, not to be well-ordered. They moved when it was advantageous, halted when it was not advantageous.’

‘If I dare ask, if the enemy is numerous, disciplined, and about to advance, how should we respond to them? I would say, first seize something that they love for then they will listen to you’ (ibid., p.103).

‘When you mobilise the army and form strategic plans, you must be unfathomable’ (ibid., p.104).

12. Incendiary Attacks

‘Now if someone is victorious in battle and succeeds in attack but does not exploit the achievement, it is disastrous, and his fate should be termed ‘wasteful and tarrying.’ This it is said the wise general ponders it, the good general cultivates it.’

‘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. The ruler cannot mobilise the army out of personal anger. The general cannot engage in battle because of personal frustration. When it is advantageous, move; when not advantageous, stop. Anger can revert to happiness, annoyance can revert to joy, but a vanquished state cannot be revived, the dead cannot be brought back to life’ (ibid., p.115).

13. Employing Spies

‘The means by which enlightened rulers and sagacious generals moved and conquered others, that their achievements surpassed the masses, was advance knowledge.
Advance knowledge cannot be gained from ghosts and spirits, inferred from phenomena, or projected from the measures of Heaven, but must be gained from men for it is the knowledge of the enemy’s true situation’ (ibid., p.118).
Thus enlightened rulers and sagacious generals who are able to get intelligent spies will invariably attain great achievements. This is the essence of the military, what the Three Armies rely on to move' (ibid., p.120).

8.4.4 Sun-Pin: Military Methods

8.4.4.1 Introduction

There has been some confusion over whether there existed two Master Suns (Sun-tzu and Sun Pin) or whether they were the same person. However, the Historical Records (Shih-chi) completed in 91 BC clearly identifies Sun Wu (c. 544-496 BC) and Sun Pin (c. 380-316 BC) as two separate persons, the first being a contemporary of Confucius and the latter a contemporary of Mencius. The Historical Records also mentions both Sun-tzu: The Art of Warfare (13 Chapters) and The Art of Warfare attributed to Sun Pin (Ames 1993, p.18). It would therefore seem that there is two Master Suns and two Arts of War with some translators referring to the latter work as Military Methods so as avoid confusion.

As with Sun-tzu, little is known about the life of Sun Pin with the exception of his military exploits record within his work as, for example, that recounted in the first chapter. The work of Sun Pin had the benefit of works that had proceed before him with some historians believing that he was a descendant of Sun-tzu. However, Military Methods has been clearly influenced by the escalation of the intensity of warfare with any vestiges of restraint and civility having lapsed in the historical period that became known as the Warring States period and campaigns involving armies routinely exceeding 100,000 men (Sawyer 1996a, p.9-11).

Military Methods in its presently discovered form consists of 33 chapters many of which are only partial and some totally lost to time. The first 15 chapters are in
dialogue form common to its period and the remainder appearing to be extended discussion on concrete topics (ibid., p.xiii).

8.4.4.2 Review and Extract of Text

1. Capture of P'ang Chüan

This first chapter recounts the tactics used by Sun Pin in dealing with an attack by the state of Wei against the state of Chao. The attack was lead by General P'ang Chüan a former colleague of Sun Pin who had betrayed him and had him branded as a criminal resulting in Sun Pin having both of his feet amputated and face branded. Sun Pin at the time of the attack was a military strategist serving the state of Ch’i which came to the assistance of Chao (ibid., p.12).

The tactics used in this battle became famous as a classical strategy; ‘wei-Wei chiu-Chao – laying siege to Wei to save Chao’ (Lau and Ames 1996, p.16). The tactics included: display incapability, even at the expense of deliberately sacrificing some units; destabilise the enemy, compelling them into motion by threatening what they value; and then employ well-entrenched troops to exploit the resulting haste and disorder to wrest an easy victory.

2. Audience with King Wei

‘Now the military does not rely on an unvarying strategic configuration of power…..Move only after all affairs have been prepared. .....One whose troops are few but army is strong has righteousness. Now mounting a defense without anything to rely upon, or engaging in battle without righteousness, no one under Heaven would be able to be solid and strong’ (Sawyer 1996a, p.140).

3. The Questions of King Wei

‘If we are strong while the enemy is weak, if we are numerous while the enemy is few, how should we employ them?’…….. ‘This is the question of an enlightened King! To be numerous and moreover strong, yet still inquire about employing them is the Tao for making the state secure.’
‘Are not rewards and punishments the most urgent matters for the military?’ ....
‘They are not. Now rewards are the means by which to give happiness to the masses and cause soldiers to forget death. Punishments are the means by which to rectify the chaotic and cause the people to fear their superiors. They can be employed to facilitate victory, but they are not urgent matters’ (ibid., p.146).

‘Are authority, strategic power, plans, and deception urgent matters for the military?’ .... ‘Now authority is the means by which to assemble the masses. Strategic power is the means by which to cause the soldiers to invariably fight. Plans are the means by which to cause the enemy to be unprepared. Deception is the means by which to put the enemy into difficulty. They can be employed to facilitate victory, but they are not urgent affairs.’

‘These six are all employed by those who excel in military affairs, and yet you, sir, say they are not urgent. Then what are urgent?’ .... ‘Evaluating the enemy, estimating the difficulties of terrain, invariably investigating both near and far is the Tao of the general. Invariably attacking where they do not defend, this is the army’s urgency. Rewards and punishments are the bones’ (ibid., p.147).

4. T‘ien Chi Inquires About Fortifications

The chapter considers the tactical issues of fortifications and the terrain’s configuration.

5. Selecting the Troops

‘For the army, victory lies in selecting the troops; courage lies in the regulations; skill lies in the strategic configuration of power; sharpness lies in trust; power lies in the Tao; wealth lies in a speedy return; strength lies in giving rest to the people; injury lies in frequent battles.’

‘There are five factors to constantly being victorious. A commander who obtains the ruler’s sole authority will be victorious. One who knows the Tao will be victorious. One who has gained the masses will be victorious. One whose left and right are in harmony will be victorious. One who analyses the enemy and estimates the terrain will be victorious.’
There are five factors to constantly not being victorious. A general who is hampered by the ruler will not be victorious. One who does not know the Tao will not be victorious. A perverse general will not be victorious. One who does not use spies will not be victorious. One who fails to gain the masses will not be victorious.

Victory lies in exhausting trust, making rewards clear, selecting the troops, and taking advantage of the enemy’s weaknesses. This is referred to as King Wu’s treasure’ (ibid., p.158).

One who has not obtained the ruler’s trust does not act as his general. Generals have three essential traits. The first is called trust, the second loyalty, the third daring. What loyalty? To the ruler. What trust? In rewards. What daring? To eliminate the bad. If someone is not loyal to the ruler, you cannot risk employing him in the army. One whose rewards are not trusted, the nobles will not regard as Virtuous. One who does not dare eliminate the bad will not be respected by the nobles’ (ibid., p.159).

6. Lunar Warfare

What remains of this chapter is fragmented and marred by many missing characters. However, as suggested by the title it would appear to deal with the influence of astrology in military affairs (ibid., p.163).

7. Eight Formations

When someone whose wisdom is inadequate commands the army it is conceit. When someone whose courage is inadequate commands the army it is bravado. When someone does not know the Tao nor has engaged in a sufficient number of battles commands the army it becomes a matter of luck’ (ibid., p. 166).

8. Treasures of Terrain

This chapter considers the configurations of terrain best avoided and makes some general observation about the respective values of various physical aspects (ibid., p.173).
9. Preparation of Strategic Power

‘Now these four-formations, power, changes, and strategic imbalance of power are the employment of the military.’

‘In general, as for these four-those who gain these four survive, those who lose these four die. They must be complied with in order to complete their Tao. If one knows their Tao then the army will be successful and the ruler will be famous. If someone wants to employ them but does not know their Tao, the army will lack success. Now the Tao of the army if fourfold: formations, strategic power, changes, and strategic imbalance of power’ (ibid., p.176,177).

10. Nature of the Army

‘If you want to understand the nature of the army, the crossbow and arrows are the model. Arrows are the troops, the crossbow is the general. The one who releases them is the ruler. As for arrows, the metal is at the front, the feathers are at the rear. Thus they are powerful and excel in flight, for the front is heavy and the rear is light. Today in ordering the troops the rear is heavy and the front is light, so when deployed in formation they are well ordered, but when pressed toward the enemy they do not obey. This is because in controlling the troops men do not model on the arrow.’

‘The crossbow is the general. When the crossbow is drawn, if the stock is not straight, or if one side of the bow is strong and one side weak and unbalanced, then in shooting the arrow the two arms will not be at one. Then even though the arrow’s lightness and heaviness are correct, the front and rear are appropriate, it still will not hit the target.’

‘If the general’s employment of his mind is not in harmony with the army, even though the formation’s lightness and heaviness are correct, and the front and rear are appropriate, they still will not conquer the enemy.’

‘Even if the arrow’s lightness and heaviness are correct, the front and rear are appropriate, the crossbow drawn straight, and the shooting of the arrow at one, if the archer is not correct, it still will not hit the target. If the lightness and heaviness
of the troops are correct, the front and rear appropriate, and the general in harmony with the army, but the ruler does not excel, they still will not conquer the enemy.’

‘Thus it is said for the crossbow to hit the objective it must realise these four. For the army to be successful there must be the ruler, the general, and the troops, these three. Thus it is said that an army conquering an enemy is no different from a crossbow hitting a target. This is the Tao of the military. If the model of the arrow is complied with, the Tao will be complete. When someone understands the Tao, the army will be successful, and the ruler will be famous’ (ibid., p.182,183).

11. Implementing Selection

‘When material goods are plentiful there will be contention; when there is contention the people will not regard their superiors as Virtuous. When goods are few they will incline toward their supervisors; when they incline toward them then All under Heaven will respect them. If what the people seek is the means by which I seek their performance, this will be the basis for the military’s endurance. In employing the army this is the state’s treasure’ (ibid., p.186).

12. Killing Officers

The remnants of this chapter are far too fragmented to permit a proper reconstruction of the text and what follows is only a minor portion of what the original chapter may have held.

‘Make rewards and emoluments clear and then the troops will advance without hesitation.’

‘Only when victory is certain does one engage in battle,…..’ (ibid., p.190).

13. Expanding Ch’i.

‘When you form the army and assemble the masses, concentrate upon stimulating their ch’i. When you again decamp and reassemble the army, concentrate upon ordering the soldiers and sharpening their ch’i. When you approach the border and near the enemy, concentrate upon honing their ch’i. When the day for battle has been set, concentrate upon making their ch’i decisive. When the day for battle is at hand, concentrate upon expanding their ch’i (ibid., p. 194).
14. Offices, I

This 14th chapter, although principally intact, is considered the most difficult, of all the chapters, to translate as its language is obscure and requires imaginative reconstruction. The topics dealt with in the chapter seem to cover disparate pronouncements on widely ranging tactical principles (ibid., p.205). As such none of the pronouncements have been selected.

15. Strengthening the Army

Due to the severe fragmentation to the remnants of the chapter little more than the title can be translated (ibid., p. 210).

16. Ten Deployments

This chapter considers the question of the various formations that may be used when deploying troops.

17. Ten Questions

The chapter considers various solutions to battlefield scenarios Commanders may find themselves in.

18. Regulating Mailed Troops

Again the chapter is badly fragmented and cannot be reconstructed.

19. Distinction Between Guest and Host

The chapter introduces the tactical distinction between what is termed ‘guest’ and ‘host’ being those that first occupy the battlefield and await the arrival of their enemy (host) and the invading party (guest).

‘Armies are distinguished as being “guests” or “hosts”. The guest’s forces are comparatively numerous, the host’s forces comparatively few. Only if the guest is double and the host half can they contend as enemies. The host establishes his position first, the guest establishes his position afterward. The host ensconces himself on the terrain and relies on his strategic power to await the guest who contravenes mountain passes and traverses ravines to arrive....’ (ibid., p.232).
20. Those Who Excel

'Those who excel in warfare, even when the enemy’s forces are strong and numerous, can force them to divide and separate, to be unable to rescue each other, and suffer enemy attacks without mutually knowing about it' (ibid., p.238).

21. Five Names, Five Respects

'The first is Awesomely Strong, the second Loftily Arrogant, the third Firmly Unbending, the fourth Fearfully Suspicious, and the fifth Doubly Soft.

In the case of the Awesomely Strong army, be pliant and soft and await them.
In the case of the Loftily Arrogant army, be respectful and outlast them.
In the case of the Firmly Unbending army, entice and then seize them.
In the case of the Fearfully Suspicious army, press them to the fore; set up a clamor on the flanks; deepen your moats and increase the height of your fortifications; and cause difficulty for their supplies.
In the case of the Doubly Soft army, set up a clamor to terrorise them, shake and disrupt them. If they go forth then strike them. If they do not go forth, surround them.
Such are the five names (ibid., p.242).

22. The Army’s Losses

This chapter stresses the need to recognise and exploit opportunities as presented and not permitting them to escape. It also considers the concept of hard and soft (ibid., p.247).

23. The General’s Righteousness

'The general must be righteous. If he is not righteous then will not be severe.
The general must be benevolent. If he is not benevolent then the army will not conquer.
The general must have Virtue. If he lacks Virtue then he will not have any strength.
The general cannot be without credibility. If he is not trusted then his orders will not be implemented.
The general must know victory. If he does not know victory, the army will not be decisive (ibid., p.252).
24. The General’s Virtue

‘If he regards the troops like an infant, loves them like a handsome boy, respects them like a severe teacher, and employs them like clumps of earth, the general excels’ (ibid., p.256).

25. The General’s Defeats

‘As for the general’s defeats (defects):

First, he is incapable but believes himself to be capable.
Second, arrogance.
Third, greedy for position
Fourth, greedy for wealth.

........
Sixth, light.
Seventh, obtuse.
Eighth, little courage.
Ninth, courageous but weak.
Tenth, little credibility.

........
Fourteenth, rarely decisive.
Fifteenth, slow.
Sixteenth, indolent.
Seventeenth, oppressive.
Eighteenth, brutal.
Nineteenth, selfish.
Twentieth, induces confusion.

When the defeats (defects) are numerous the losses will be many’ (ibid., p.260).

26. The General’s Losses

This chapter is a mixture of material from several sources rather than observations from Sun Pin’s school (ibid., p.266).

27. Male and Female Cities

This chapter considers the classification of cities as male and female for determining those that may be successfully conquer (ibid., p.268).
28. Five Criteria, Nine Seizings

‘Thus the Tactics states: “If your provisions are unlike theirs, do not engage them in protracted battles. If your masses are unlike theirs, do not engage them in battle. If your weapons and component forces are unlike theirs, do not contend with them on confined terrain. If your organisation is unlike theirs, do not contend with them across a broad front. If your training is unlike theirs, do not oppose them in their strength. When these five criteria are clear, the army will be able to forcefully advance unhindered.’

As for the techniques for forcing the enemy to rush about: The first is called seizing provisions. The second is called seizing water. The third is called seizing fords. The fourth is called seizing roads. The fifth is called seizing ravines. The sixth is called seizing easy terrain.... The ninth is called seizing what he solely values. In general these nine “graspings” are the means by which to force the enemy to hasten about’ (ibid., p.274).

29. The Dense and Diffuse

‘The dense conquer the diffuse; the full conquer the vacuous; byways conquer main roads; the urgent conquer the slow; the numerous conquer the few; the rested conquer the weary’ (ibid., p.278).

30. Unorthodox and Orthodox

‘The patterns of Heaven and Earth, reaching an extreme and then reversing, becoming full and then being overturned, these are yin and yang.’

‘Thus as for the disciples of form, there are none that cannot be named. As for the disciples that are named, there are none that cannot be conquered.’

‘As for the forms of conquest, even the bamboo strips of the Ch’u and Yüen would be insufficient for writing them down. Those that have form all conquer in accord with their mode of victory. Employing one form of conquest to conquer the myriad forms is not possible. That by which one controls the form is singular; that by which one conquers cannot be single.’
'Thus when those who excel at warfare discern and enemy’s strength, they know where he has a shortcoming. When they discern an enemy’s insufficiency, they know where he has surplus. They perceive victory as easily as seeing the sun and moon. Their measures for victory are like using water to conquer fire.'

'When form is employed to respond to form, it is orthodox. When the formless controls the formed, it is unorthodox. That the unorthodox and orthodox are inexhaustible is due to differentiation.'

'Things that are the same are inadequate for conquering each other' (ibid., p. 284, 285).

31. Five Instructions

The text of this chapter is badly damaged, however, its basic theme is the five instructions to ensure the foundations of military arts are well practiced and understood (ibid., p.291).

32. Employing Cavalry

The chapter discusses the circumstances in which it would be advantageous to exploit the swiftness and flexibility of cavalry units (ibid., p. 295).

33. Attacking the Heart

This chapter would appear to have been added possible centuries after Sun Pin’s death and plays upon the dual meaning of the Chinese character *hsin*, meaning heart and mind (ibid., p.298).

8.4.5 Wu-Tzu

8.4.5.1 Introduction

Wu Ch’i (called Wu-tzu by later generations), was a famous historical figure who was born around 440 BC. His military and administrative achievements are historically portrayed as truly amazing and since his death he has been linked with Sun-tzu as a
famous strategist. At the time of his birth conflict had engulfed China, the eventual outcome of such being to reduce the number of powerful states from seven to one. Despite such an environment, historical writings record that Wu Chi was never defeated in battle and never forced into a stalemate.

Although renowned as a famous strategist, Wu Chi’s biography is not a favorable one and he appears as a man of many contradictions. He is said to have been an extremely talented man who strongly advocated Confucian beliefs and proclaimed benevolence as the foundation of good government. However, he is reputed to have killed his wife so as to show he was independent of her influence and to win promotion and also to have ignored his mother’s mourning rites – a heinous offense for a Confucian (Sawyer 1993b, p.191).

The *Wu-tzu* is considered as one of the basic foundations of Chinese Military thought and although it is less strident than the *Art of War* it does consider all relevant aspects of war. As with many other participants of the *Seven Military Classics*, the core of *Wu-tzu* was most likely composed by Wu Ch’i himself and then later expanded and revised by his disciples. At the present time it would seem that a significant portion of the original work, composed 4th century BC, has been lost and that what has survived the passage of time has been edited into a succinct, systematic and comprehensive work (ibid., p.192).

The present version consists of six chapters: Planning for the State, Evaluating the Enemy, Controlling the Army, the Tao of the General, Responding to Change and Stimulating the Officers. These chapter headings generally depict the topic of each chapter, however, they are not the sole topic as strategic considerations are spread throughout the book.

The key issues that Wu Ch’i considers in his work may be summarised as follows:

➢ *Need for Military Forces*

Although a strong proponent of benevolence and righteousness, Wu Ch’i also stressed that military strength and preparation was essential to a State's survival.
Measure in All Matters
That although the horse was an essential element in military might (cavalry and chariots), it must be properly maintained and managed as a valuable resource and kept in balance with all the other elements that made for an effective army.

People as the Basis
That given the size of armies that had to be field (excess of 100,000 persons) that people management, to use a modern day term, was a critical skill. Generals must be concerned with material welfare, gaining emotional support, and inculcate basic virtues.

Training and Unification
That harmony and organisation are counterparts, with one ineffective without the other. This required the selection and appointment of worthy men. Organise properly, train extensively, and motivate thoroughly.

Selection, Evaluation, and Motivation of Men
That men should only be selected and appointed based upon their individual talents and expertise. That motivation and attitude are critical to forging fighting spirits.

Waging War and Engaging in Battle
That the key to victory lay in impartially assessing the situation and thereafter discerning and developing relevant tactics (ibid., p.202-205).

8.4.5.2 Review and Extract of Text

1. Planning for the State

'In antiquity the ruler of the Ch'eng Sang clan cultivated Virtue but neglected military affairs, thereby leading to the extinction of his state. The ruler of the Yu Hu clan relied on his masses and loved courage and thus lost his ancestral altars. The
enlightened ruler, observing this, will certainly nourish culture and Virtue within the domestic sphere while, in response to external situations, putting his military preparations in order. Thus when opposing an enemy force if you do not advance, you have not attained righteousness. When the dead lies stiff and you grieve for them, you have not attained benevolence' (ibid., p.260).

'There are four disharmonies. If there is disharmony in the state, you cannot put the army into the field. If there is disharmony within the army, you cannot deploy into formations. If you lack harmony within the formations, you cannot advance into battle. If you lack cohesion during the conduct of the battle, you cannot score a decisive victory.'

'For this reason when a ruler who has comprehended the Way [Tao] is about to employ his people, he will first bring them into harmony, and only thereafter embark on great affairs. He will not dare rely solely on his own plans, but will certainly announce them formally in the ancestral temple, divine their prospects by the great tortoise shell, and seek their confirmation in Heaven and the seasons. Only if they are all auspicious will he proceed to mobilise the army.'

'Because the people know the ruler values their lives and is sorrowed by their deaths, when such circumstances arise and they must confront danger with him, the officers will consider death while advancing glorious, but life gained through retreating disgraceful'.

'Now the Way [Tao] is the means by which one turns back to the foundation and returns to the beginning. Righteousness is the means by which to put affairs into action and realise accomplishments. Plans are the means by which to keep harm distant and gain profit. The essence [provides the constraints] by which to preserve duty and conserve achievements. Now if behavior does not accord with the Way [Tao], and actions do not accord with righteousness, but instead one dwells in magnificence and enjoys nobility, disaster will inevitably befall him' (ibid., p.207).

2. Evaluating the Enemy

'Now Chi'i's character is hard; their country is prosperous; the ruler and ministers are arrogant and extravagant and insulting to the common people. The government is expansive, but salaries are inequitable. Each formation is of two minds. With the front being heavy and the rear light. Thus while they are dense, they are not stable.'
'Ch'in's character is strong, the land treacherous, and the government severe. Their rewards and punishments are believed in; the people never yield but instead are all fiery and contentious. Thus they scatter and individually engage in combat.'

'Ch'u's character is weak, its lands broad, its government troubling [to the people], and its people weary. Thus while they are well-ordered, they do not long maintain their positions.'

'Yen's character is sincere and straightforward. Its people are careful; they love courage and righteousness and rarely practice deception in their plans. Thus they will defend their positions but are not mobile.'

'The Three Chin are central countries. Their character is harmonious and their governments equitable. The populace is weary from battle but experienced in arms, and they have little regard for their generals. Salaries are meager, and as their officers have no commitment to fight to the death, they are ordered but useless' (ibid., p.210,211).

'From external observation of the enemy I would like to know their internal character, from studying their advance know at what point they will stop in order to determine victory and defeat. May I hear about this?.......If the enemy approaches in reckless disarray, unthinking; if their flags and banners are confused and in disorder; and if the men and horses frequently look about, then one unit can attack ten of theirs, invariably causing them to be helpless.'

'Is there a Way [Tao] by which the enemy can invariably be attacked?'.......In employing the army you must ascertain the enemy's voids and strengths and then race [to take advantage of] his endangered points' (ibid., p.213).

3. Controlling the Army

'What measures will ensure the soldiers will be victorious?.... Control is foremost. 'It is not large numbers?'....If the laws and orders are not clear, rewards and punishments not trusted; when sounding the gongs will not cause them to halt or beating the drum to advance, then even if you had one million men, of what use
would they be? What is the means by control is that when stationary [in camp] they
observe the forms of propriety [li] and when in action they are awesome. When they
advance they cannot be withstood; when they withdraw they cannot be pursued'
(ibid., p.214).

'In general, on the battlefield-soon to become a graveyard-if the soldiers are
committed to fight to the death they will live, whereas if they seek to stay alive they
will die.' .........'Thus it is said that the greatest harm that can befall the army's
employment [stems from] hesitation, while the disasters that strike the Three
Armies are born in doubt.'

'Now men constantly perish from their inabilities and are defeated by the
unfamiliar. Thus among the methods for using the military, training and causing
them to be alert are first' (ibid., p.215).

4. The Tao of the General

'In general warfare had four vital points: ch'i, terrain, affairs, and strength.

'In general the essentials of battle are as follows. You must first attempt to divine
the enemy's general and evaluate his talent. In accord with the situation exploit the
strategic imbalance of power [ch'üan]; then you will not labor but will still achieve
results. A commanding general who is stupid and trusting can be deceived and
entrapped. One who is greedy and unconcerned about reputation can be given gifts
and bribed. One who easily changes his mind and lacks real plans can be labored
and distressed. If the upper ranks are wealthy and arrogant while the lower ranks are
poor and resentful, they can be separated and divided. If their advancing and
withdrawing are often marked by doubt and the troops have no one to rely on, they
can be shocked into running off. If the officers despise the commanding general and
are intent on returning home, by blocking off the easy roads and leaving the
treacherous ones open, they can be attacked and captured' (ibid., p.218,219).

5. Responding to Change

This chapter considers various tactical scenarios and how they should be dealt with.
6. Stimulating the Officers

'Is making punishments severe and rewards clear adequate for victory?..... As to these matters of severity and clarity I do not have all the answers. Even so, they are not what can be relied on. Now if when you issue commands and promulgate orders the people take pleasure in hearing them; when you raise the army and mobilise the masses the people take pleasure in battle; and when the weapons clash and blades cross the people take pleasure in death, then these three are what a ruler of men can rely on.'

'How does one attain this result?.... You should identify men of accomplishment and honor them with a grand feast while also stimulating those who failed to accomplish anything notable.'

'Now if there is a murderous villain hidden in the woods, even though one thousand men pursue him they all look around like owls and glance about like wolves. Why? They are afraid that violence will erupt and harm them personally? Thus one man oblivious to life and death can frighten one thousand. Now if I can take a mass of fifty thousand and turn them into a single murderous villain, leading them to punish Ch'in we will surely make it difficult for the enemy!' (ibid., p.223,224).

➢ 8.4.6 Wei Liao-Tzu

8.4.6.1 Introduction

The Wei Liao-tzu is purportedly named after its author, whom, among other possible accounts, was a military strategist advising King Hui of the state of Wei (note the character for the state of Wei is different to the family name Wei) in or about the 4th century BC. He is believed not to have been a military man but rather an academic who had studied previous works on strategy and draws heavily upon these in his work. He is considered to have been a brilliant strategist and a perceptive observer who understood that States could only survive the Warring States period by integrating the civil and the martial.
There are some suggestions that Wei Liao was a student of Lord Shang the famous Legalist theorist and administrator who advocated strong centralised government, however, his personal history are subject to much uncertainty and dispute.

The book consists of twenty-four chapters, the first twelve of that are more philosophical and general in scope dealing at times with grand strategy. The second twelve chapters focus on problems of command and control in a military force and methods of ensuring obedience and discipline. The style and content of the book would suggest a compilation date at the end of the 4th century BC with perhaps additional material appended by family or followers (ibid., p.229-232).

The principal issues raised in the Wei Liao-tzu may be summarised as follows:

- **Agriculture and People**
  Because the state of Wei previously had suffered significant military losses and the accompanying economic losses, Wei-Liao’s initial action was to build its population. In his view prosperity depended upon the state fully developing and exploiting its agricultural resources. To do this manpower was required.

- **Humanistic Values**
  A ruler must embody the Tao and personally cultivate virtue. He should exercise moderation and restraint and limit his personal desires. His actions must be righteous and benevolent with a focus on aiding and sustaining the people rather than glorifying his own position.

- **Victory**
  Victory is achieved through internal strength that enables enemies to be vanquished without combat. Internal strength arises from establishing virtue and fostering the people’s welfare. Proper preparation and thorough planning combined with careful evaluation of the enemy are the prerequisites to success.
Organisation and Unity

Wei Liao believed in a strict hierarchical organisational structure underpinned by a mutual guarantee system. The mutual guarantee system was originated with Lord Shang and essentially organised men into teams of 5 and 10 and made the team responsible and liable for the actions of one. If one team member transgressed then all would be punished if they failed to reign him in.

Rewards and Punishment

The irreplaceable function of rewards and punishment is emphasised.

Spirit and Courage

The army’s ch’i essentially determined the outcome of its combat actions and therefore requires serious attention.

Strategic Conceptions

Human effort is the sole means to achievement and therefore the focus of the ruler must be on creating regulations and practices that will fully exploit human potential. Strategic advantage lies in shaping this human potential.

8.4.6.2 Review and Extract of Text

1. Heavenly Offices

‘The Ch’u general Kung-tzu Hsin was about to engage Ch’i in battle. At that time a comet appeared, with its tail over Ch’i. [According to such beliefs] wherever the tail pointed would be victorious, and they could not be attacked. Kung-tzu Hsin said: “What does a comet know? Those who fight according to the comet will certainly be overturned and conquered”. On the morrow he engaged Ch’i and greatly defeated them. The Yellow Emperor said: “Putting spirits and ghosts first is not as good as first investigating my own knowledge.” This means that the Heavenly Offices are nothing but human effort’ (ibid., p.242).
2. Military Discussions

‘When the land is broad and under cultivation, the state will be wealthy; when the people are numerous and well-ordered, the state will be governed. When the state is wealthy and well governed, although the people do not remove the blocks [from the chariots] nor expose their armor, their awesomeness instills order on All under Heaven. Thus it is said “the army’s victory stems from the court”. When one is victorious without exposing his armor, it is the ruler’s victory; when victory comes after deploying [the army], it is the general’s victory’ (ibid., p.243).

‘As for the commanding general: Above he is not governed by Heaven, below he is not controlled by Earth, in the middle he is not governed by men. He should be composed so that he cannot be stimulated to anger. He should be pure so that he cannot be inveigled by wealth. Now if the mind is deranged [by emotional], the eyes are blind, and the ears are deaf-to lead men with these perversities is difficult! (ibid., p.244).

3. Discussion of Regulations

‘As for the military, regulations must first be established. When regulations are established first, the soldiers will not be disordered.’

‘People do not take pleasure in dying, nor do they hate life, [but] if the commands and orders are clear, and the laws and regulations carefully detailed, you can make them advance. When, before [combat], rewards are made clear, and afterward punishments are made decisive, then when [the troops] issue forth they will be able to realise an advantage, and when they move they will be successful’ (ibid., p.244,245).

4. Combat Awesomeness

‘In general, [in employing] the military there are those who gain victory through the Tao; those that gain victory through awesomeness; and those that gain victory through strength. Holding careful military discussions and evaluating the enemy, causing the enemy’s ch’i to be lost and his forces to scatter so that even if his disposition is complete he will not be able to employ it, this is victory through the Tao.’
'Being precise about laws and regulations, making rewards and punishments clear, improving weapons and equipment, causing the people to have minds totally committed to fighting, this is victory through awesomeness.'

'Destroying armies and slaying generals, mounting barbicans and firing crossbows, overwhelming the populace and seizing territory, returning only after being successful, this is victory through strength. When kings and feudal lords know these, the three ways to victory will be complete.'

'Now the means by which the generals fight is the people; the means by which the people fight is their ch'i. When their ch'i is substantial they will fight; when their chi has been snatched away they will run off' (ibid., p.247).

'Thus the rule for giving commands is that small errors should not be changed, minor doubts should not be publicised. Thus when those above do not [issue] doubtful orders, the masses will not listen to two different [versions]. When actions do not have any questionable aspects, the multitude will not have divided intentions. There has never been an instance where the people did not believe the mind of their leader and were able to attain their strength. It has never been the case that one was unable to realise their strength and yet attain their deaths is battle.'

'Therefore a state must have the righteousness of the forms of etiquette [li], trust, familiarity, and love, and then it can exchange hunger for surplus. The state must first have the customs of filiality, paternal love, honesty, and shame, and then it can exchange death for life' (ibid., p.248).

'The state of a [true] king enriches the people; the state of a hegemon enriches the officers. A state that merely survives enriches the high officials, and a state that is about to perish enriches its own granaries and storehouses. This is termed "the top being full while the bottom leaks." When disaster comes there will be no means to effect a rescue.'

'Thus I say that if you raise the Worthy and give responsibility to the capable, [even] without the time being propitious affairs will still be advantageous. If you make the laws clear and are cautious in issuing orders, then without performing divination with the tortoise shell or milfoil you will obtain good fortune. If you esteem achievement and nurture effort, without praying you will attain blessings. Moreover it is said, "The seasons of Heaven are not as good as the advantages of
Earth. Advantages of Earth are not as good as harmony among men’. What Sages esteem is human effort, that is all!’ (ibid., p.249).

5. Tactical Balance of Power in Attacks

‘Generals, commanders, officers, and troops should be a single body both in action and at rest. But if the commander’s mind is already doubtful and the troops inclined to rebellion, then even though a plan has been decided on they will not move, or if movement has been initiated they cannot be controlled. When different mouths speak empty words, the general lacks the proper demeanor, and the troops have not had constant test [during training], if they set out to attack they will inevitably be defeated. This is what is referred to as a “hasty, belligerent army”. It is inadequate for engaging in warfare’ (ibid., p.250).

6. Tactical Balance of Power in Defense

The Chapter discusses tactical issues if defending a city.

7. Twelve Insults


8. Martial Plans

‘In executing, value the great; in rewarding, value the small. If someone should be killed, then even though he is honored and powerful, he must be executed, for this will be punishment that reaches the pinnacle. When rewards extend down to the cowherds and stable boys, this is rewards flowing down [to the lowest]. Now the ability to implement punishments that reach the pinnacle, and rewards that flow down [to the lowest], is the general’s martial charisma. Thus rulers value their generals’ (ibid., p.255).

9. The General as a Law Official

‘In general, a general is an officer of the law, the ruler of the ten thousand things. It cannot be the personal domain of one man. When it is not the personal domain, the ten thousand things will all come [of themselves] and be governed there, the ten thousand things will all come and be commanded there’ (ibid., p.258).


These Chapters discuss issues relevant to civil office and governing of the people.

12. Tactical Balance of Power in Warfare

‘Now essential sincerity lies in spiritual enlightenment. The tactical balance of power [ch’üan] lies in the extremities of the Tao. If you have something, pretend not to have it; if you lack something, appear to have it. Then how can the enemy trust the appearance?’

‘Those from whom [the initiative] has been taken have no chi; those who are afraid are unable to mount a defense; those who have suffered defeat have no men’ (ibid., p.262).

The remaining twelve chapters of this book consider creating discipline within a military force and the use of concept of ‘mutually responsibility’ to achieve such discipline.

➤ 8.4.7 Three Strategies of Hung Shih-Kung

8.4.7.1 Introduction

Popular tradition has attributed this work to Chiang Shang also known as the T’ai Kung and author of the *Six Secret Teachings*. However, its origin is certainly unclear and subject to much controversy as is similar with other works of antiquity. The title *Three Strategies of Hung Shih-Kung* (Three strategies of the Duke of Yellow Rock) would seem to have been attributed through one of the folk stories surrounding its finding.

If the work is properly attributed to the T’ai Kung then it most likely was passed down through generations of descendants of a former Ch’i state official. The T’ai Kung was enfeoffed as king of Ch’i in reward for his services. The work then surfaced when reputedly released to Chang Liang, who was to become famous some ten years later.

There are some four other theses accounting for its origin, however, whichever may more accurately account, the *Three Strategies of Hung Shih-Kung* is acknowledged to be the last of the truly ancient works with a likely composition date somewhere around 0 AD (ibid., p.281-284).
The text focuses primary on civil and military administration and control with little discussion on combat strategy. Topics of discussion include concepts of government, administration of forces, unification of the people, character traits of a capable general, motivation of troops and implementation of rewards and punishment. The text is structured into three books, however, it is unclear whether there is any specific reason for such a structure. Each of the books essentially cover the same themes with some varying emphasis. The bulk of the writing is contained in the first book with the introduction of some additional material in the other two books.

8.4.7.2 Review and Extract of Text

1. Superior Strategy

'The commander in chiefs method focuses on winning the minds of the valiant, rewarding and providing salaries to the meritorious, and having his will penetrate to the masses. Thus if he has the same likes as the masses, there is nothing he will not accomplish. If he has the same dislikes as the masses, there is nothing he will not overturn. Governing the state and giving security to one’s family [is a question of] gaining the people. Losing the state and destroying one’s family [is a question of] losing the people. All living beings want to realise their ambitions.'

'The Military Pronouncements states: “The soft can control the hard, the weak can control the strong.” The soft is Virtue. The hard is a brigand. The weak is what the people will help, the strong is what resentment will attack. The soft has situations in which it is established; the hard has situations in which it is applied; the weak has situations in which it is employed; and the strong has situations in which it is augmented. Combine these four and control them appropriately' (ibid., p.292).

'Now the Way [Tao] to govern the state is to rely on Worthies and the people. If you trust the Worthy as if they were your belly and heart, and employ the people as if they were your four limbs, then all your plans will be accomplished. If your measures follow on each other as naturally as the four limbs, or the way the joints of the bones cooperate with each other, this is the Tao of Heaven, the natural. There is no gap in such skill.'
Accord [with the enemy’s actions] to initiate measures and repress him. Rely on the strategic configuration of power [shih] to destroy him. Spread false words and cause him to make errors. Set out your net to catch them’ (ibid., p.293).

‘Now what are termed “officers” are men of character and valor. Thus it is said, “Draw in their men of character and valor and the enemy’s state will be impoverished.” These valiant men are the trunk of a state. The common people are its root. If you have the trunk and secure a root, the measures of government will be implemented without resentment’ (ibid., p.294).

‘Now the one who unifies the army and wields its strategic power [shih] is the general. The ones that bring about conquest and defeat the enemy are the masses. Thus a disordered general cannot be employed to preserve an army, while a rebellious masses cannot be used to attack an enemy.’

‘The Military Pronouncements states: “The exemplary general, in his command of the army, governs men as he would want to be treated himself. Spreading his kindness and extending his beneficence, the strength of his officers is daily renewed. In battle they are like the wind arising; their attack is like the release of a pent-up river”’ (ibid., p.295).

‘The Military Pronouncements states: “The army employs rewards as its external form and punishments as its internal substance”. When rewards and punishments are clear, then the general’s awesomeness is effected. When the proper officials are obtained, then the officers and troops are obedient. When those entrusted [with responsibility] are Worthies, enemy states will be fearful.’

‘Thus it is said that the wisdom of the benevolent and Worthy, the thoughts and plans of the Sages and illuminated, the words of the wood carriers, the discussions in court, and the affairs of ascension and decline—all of these are what the general should hear about.’

‘If the general can think of his officers as if thirsty, his plans will be followed. But if the general stifles advice, the valiant will depart. If plans are not followed, the
strategies will rebel. If good and evil are treated alike, the meritorious officers will grow weary. If the general relies solely on himself, his subordinates will shirk all responsibility. If he brags, his assistants will have few attainments. If he believes slander, he will lose the hearts of the people. If he is greedy, treachery will be unchecked. If he is preoccupied with women, then the officers and troops will become licentious. If the general has a single one of these faults, the masses will not submit. If he is marked by two of them, the army will lack order; if by three of them, his subordinates will abandon him; if by four, the disaster will extend to the entire state! (ibid., p.296).

'The Military Pronouncements states: “If administrative officials form parties and cliques, each advancing those with whom they are familiar; the state summons and appoints the evil and corrupt, while insulting and repressing the benevolent and worthy; officials turn their backs on the state and establish their personal interests; and men of equal rank disparage each other, this is termed “the source of chaos”.'

'Accordingly, if the ruler investigates unusual words, he will discover their beginnings. If he engages scholars and Worthies, then evil men of courage will withdraw. If the ruler appoints [virtuous] men of experience and age, the myriad affairs will be well managed. If he respectfully invites the recluses and hidden scholars to take positions, the officers will then fulfill their functions. If plans extend to the firewood carriers, achievements will be predictable. If he does not lose the minds of the people, his Virtue will flourish' (ibid., p. 298, 299).

2. Middle Strategy

'The Army's Strategic Power states: “When the army is mobilised and advances into the field, the sole exercise of power lies with the general. If in advancing or withdrawing the court interferes, it will be difficult to attain success.”'

'The Army's Strategic Power states: “One does not employ righteous officers with material wealth alone. Thus the righteous will not die for the malevolent. The wise will not make plans on behalf of an obtuse ruler.” The ruler cannot be without Virtue, for if he lacks Virtue his ministers will rebel. He cannot be without awesomeness, for if he lacks awesomeness he will lose his authority [ch’üan]. A minister cannot be without virtue, for if he lacks virtue then he has nothing with which to serve his ruler. He cannot be without awesomeness, for if he lacks
awesomeness the state will be weak. If he is too awesome then he himself will be overturned.’

‘If your state’s Virtue and strategic configuration of power [shih] are the same as those of the enemy so that neither state has the means to overcome the other, then you must win the minds of the valiant, share likes and dislikes with the common people, and only thereafter attack the enemy in accord with changes in the balance of power [ch’üan].’

‘The “Superior Strategy” establishes the forms of propriety and rewards, discriminates between evildoers and the valiant, and makes clear success and defeat. The “Middle Strategy” marks out the differences in Virtue and behavior and makes manifest changes in the balance of power [ch’üan]. The “Inferior Strategy” arrays the Tao and Virtue, investigates security and danger, and makes clear the calamity of harming the Worthy’ (ibid., p.300-302).

3. Inferior Strategy

‘The government of a Worthy causes men to submit with their bodies. The government of a Sage causes men to submit with their minds. When their bodies submit the beginning can be planned; when their minds submit the end can be preserved. Their physical submission is attained through the forms of propriety; their mental submission is attained through music. What I refer to as music is not the sound of musical instruments—the stones, metal [bells], strings, and bamboo [pipes]. Rather, I refer to people taking pleasure in their families, clans, occupations, capitals and towns, orders of government, the Tao, and Virtue. One who rules the people in this fashion creates music in order to bring measure to their activities, to ensure that they do not lose their essential harmony. Thus the Virtuous ruler uses music to give pleasure to the people; the debauched ruler uses music to give pleasure to himself. One who provides pleasure to others endures and prospers; one who pleasures himself does not endure, but perishes.’

‘One who abandons what is nearby to plan for what is distant will labor without success. One who abandons the distant to plan for the nearby will be at ease and attain lasting results. A government marked by ease has many loyal ministers. A government marked by labor has many resentful people.’
'Thus it is said: "One who concentrates on broadening his territory will waste his energies; one who concentrates on broadening his Virtue will be strong."'

'The Tao, Virtue, benevolence, righteousness, and the forms of propriety-these five are one body. The Tao is what men tread; Virtue is what men gain; benevolence is what men approach; righteousness is what men consider appropriate; and the forms of propriety are what people embody. You cannot lack any one of them.'

'To welcome Worthies a thousand li away, the road is far; to bring in the unworthy, the road is quite near. For this reason the enlightened ruler abandons the near and takes the distant. Therefore, he is able to complete his achievements. He honors [worthy] men, and his subordinates all exhaust their energies.'

'If you dismiss one good [man], then a myriad good [acts] will decline. If you reward one evil [man], then a myriad evils will be drawn to you. When the good are rewarded and the evil suffer punishment, the state will be secure, and the multitudes of good people will come (ibid., p.303.304).

➢ 8.4.8 Questions & Replies between T'ang T'ai-Tsung & Li Wei-Kung

8.4.8.1 Introduction

Li Yüan, a former Sui Dynasty official, is recognised as the founder of the T'ang Dynasty that ruled China during the period 608-907 AD. He is portrayed as having been forced into revolting against Sui rule through the influences of his son, Li Shih-min (T'ang T'ai-tsung) and popular prophecies. Li Yüan was not only related to the Sui imperial family but also semi-barbarian aristocratic families located in the northwest region. He also commanded the strongest provincial army. It is from this foundation that he was able to lead the revolt that led to his ascension to the throne in the fifth month of 618 AD.
There existed three generals that are seen to have distinguished themselves during the formation of the T'ang dynasty. Li Ching, the strategist to whom this work is attributed, Li Shih-chi, and the second son of Li Yüan who became T'ang T'ai-tsung upon his assuming the throne in 627AD. T'ang T'ai-tsung was able to assume the throne when he murdered his elder brother.

T'ang T'ai-tsung is reputed to have received a Confucian education, to be an extremely skilled martial artists and a renowned horsemen. He commanded troops at the age 15 and put down challenges from segments of the Western Turks.

Li Ching (571-649 AD) commenced service under the Sui and joined the T'ang after the fall of the capital. He quickly became a supporter and associate of T'ang T'ai-tsung and thereafter commanded T'ang troops in the suppression of both internal and external threats.

This book purportedly records the conversations between T'ang T'ai-tsung and Li Ching in which they discuss various aspects of previous military works. It represents both a survey of earlier works and a wide ranging discussion of the theories and apparent contradictions contained therein (ibid., p.311-313).

8.4.8.2 Review and Extract of Text

Book One

Li Ching replied:...... 'I have examined the art of war as practiced from the Yellow Emperor on down. First be orthodox, and afterward unorthodox; first be benevolent and righteous, and afterward employ the balance of power [ch’üan] and craftiness.'

The T'ai-tsung said: 'Are the orthodox and unorthodox distinguished beforehand, or are they determined at the time of battle?'
Li Ching said: ‘Therefore, such a distinction beforehand is [merely for the purpose] of instruction. Determining the changes at the moment of battle, [the changes] are inexhaustible.’

The T’ai-tsung said: ‘If I cause the enemy to perceive my orthodox as unorthodox, and cause him to perceive my unorthodox as orthodox, is this what is meant by “displaying a form to others?” Is employing the unorthodox as orthodox, the orthodox as unorthodox, unfathomable changes and transformation, what is meant by “being formless?”

Li Ching bowed twice and said: ‘Your Majesty is a spiritual Sage. You go back to the ancients, beyond what I can attain.’

The T’ai-tsung said: ‘If “dividing and combining are changes,” wherein lie the unorthodox and orthodox?’

Li Ching said: ‘For those who excel at employing troops there are none that are not orthodox, none that are not unorthodox, so they cause the enemy never to be able to fathom them. Thus with the orthodox they are victorious, with the unorthodox they are also victorious’ (ibid., p.322-324).

‘……As for the changes and transformations to control the enemy: Intermixed and turbulent, their fighting [appeared] chaotic, but their method was not disordered. Nebulous and varying, their deployment was circular, but their strategic power [shih] was not dispersed. This is what is meant by “they disperse and become eight, reunite and again become one”’.

‘……Moreover, what has been transmitted from the military strategists and remains today is divided into four categories: “balance of power and plans”, “disposition and strategic power”, “yin and yang”, and “techniques and crafts”. They are come out of the Ssu-ma Fa’ (ibid., p.328-330).

‘……First manifest a form and cause the enemy to follow it. This is the technique’ (ibid., p.335).
Book Two

The T’ai-tsung said: ‘...Now when employing the army, if one recognises the strategic power [shih] of the vacuous and substantial, then he will always be victorious.’

‘[Accordingly to Sun-tzu:] “Make plans against them to know the likelihood for gain and loss. Stimulate them to know their patterns of movement and stopping. Determine their disposition [hsing] to know what terrain is tenable, what deadly. Probe them to know where they have an excess, where an insufficiency.” Accordingly, do the unorthodox and orthodox lie with me, while the vacuous and substantial lie with the enemy?’

Li Ching said: ‘The unorthodox and orthodox are the means by which to bring about the vacuous and substantial in the enemy. If the enemy is substantial, then I must use the orthodox. If the enemy is vacuous, then I must use the unorthodox. If a general does not know the unorthodox and orthodox, then even though he knows whether the enemy is vacuous or substantial, how can he bring it about?’

The T’ai-tsung said: ‘If we take the unorthodox as the orthodox and the enemy realises it is the unorthodox, then I will use the orthodox to attack him. If we take the orthodox as the unorthodox and the enemy thinks it is orthodox, then I will use the unorthodox to attack him. I will cause the enemy’s strategic power [shih] to constantly be vacuous, and my strategic power to always be substantial. If you teach the generals these methods, it should be easy to make them understand’ (ibid., p.336,337).

Li Ching said: ‘...With enticements await their coming. In quiescence await the impetuous. With the heavy await the light. With the strictly [disciplined] await the inattentive. With order await the turbulent. With defense await attacks. When conditions are contrary to these, your strength will be insufficient.’

‘...Thus among the military methods of the various strategists, only the Method of Five is important. In the minimal arrangement there are five men, the largest twenty-five. If the latter are tripled, they become seventy-five. Multiplied to another
level of five, one obtains three hundred and seventy-five. Three hundred men are orthodox forces, sixty are unorthodox [with the remaining fifteen being the armored shih]. In this case they can be further divided into two, forming two orthodox [companies] of one hundred and fifty men each, and two [unorthodox] platoons of thirty men, one for each flank. This is what the Ssu-ma Fa means by "five men composing the unit of five, with ten squads of five being a platoon", which is relied upon until today. This is its essence.'

'.....Large formations contain small formations; large encampments contain small encampments. All the corners are interlocked, the curves and broken points correlated. The ancient system was like this, so I made the diagram in accord with it. Thus the outside is drawn to be square, but the inside environment is circular. They then become the "Six Flowers", as commonly termed' (ibid., p.338, 339).

'.....Terrain gives birth to measurement; measurement produces the estimation [of forces]. Estimation [of forces] gives rise to calculating [the numbers of men]. Calculating [the numbers of men] gives rise to weighing [strength]. Weighing [strength] gives birth to victory. Thus the victorious army is like a ton compared with an ounce, while the defeated army is like an ounce weighed against a ton! It all commences with measuring out the square and circle.'

'.....The strategic configurations of power [shih] of those that excel in warfare is sharply focused, their constraints are precise. Their strategic power is like a fully drawn crossbow, their constraints like the release of the trigger' (ibid., p.339,340).

'Fan Li also said: ".....The unorthodox and orthodox are the mutual changes of yin and yang in Heaven and man. If one wished to grasp them and not change, then yin and yang would both deteriorate. How can one preserve only the shape of the male and female? Thus when you display an appearance to an enemy, show the unorthodox, not our unorthodox. This is what is meant by the 'orthodox and unorthodox changing into each other' (ibid., p.345,346).

Li Ching bowed twice and said: '.....According to Sun-tzu, employing spies is an inferior measure. I once prepared a discussion [of this subject] and at the end stated:
“Water can float a boat, but it can also overturn the boat. Some use spies to be successful; others, relying on spies, are overturned and defeated” (ibid., p.348).

**Book Three**

Li Ching said: ‘The successful employment of the masses lies in their being of one mind. Unification of mind lies in prohibiting omens and dispelling doubts. Should the commanding general have anything about which he is doubtful or fearful, their emotions will waver. When their emotions waver, the enemy will take advantage of the chink to attack. Thus when securing an encampment or occupying terrain, it should be convenient to human affairs, that is all!’ (ibid., p.350).

The T’ai-tsung said: ‘I observe that the thousand chapters and ten thousand sentences [of the military teachings] do not go beyond “Use many methods to cause them to make errors”, this single statement.’

After a long while Li Ching said: ‘Truly, it is as you have wisely said. In ordinary situations involving the use of the military, if the enemy does not make an error in judgement, how can our army conquer them? It may be compared with chess where the two enemies [begin] equal in strength. As soon as someone makes a mistake, truly no one can rescue him. For this reason, in both ancient and modern times, victory and defeat have proceeded from a single error, so how much more would this be the case with many mistakes?’ (ibid., p.351,352).

The T’ai-tsung said: ‘I can see that the concepts of surplus and insufficiency caused later generations to be confused about strength and weakness. They probably did not know that the essence of defensive strategy is to show the enemy an inadequacy. The essence of aggressive strategy lies in showing the enemy that you have a surplus. If you show the enemy an insufficiency, then they will certainly advance and attack. In this case “the enemy does not know where to attack”. If you show the enemy a surplus, then they will certainly take up defensive positions. In this case “the enemy does not know where to mount his defense”. Attacking and defending are one method, but the enemy and I divide it into two matters’ (ibid., p.352).
Li Ching said: „Now attacking their minds is what is referred to as “knowing them”. Preserving one’s ch’i [spirit] is what is meant by “knowing yourself”.

The T’ai-tsung said: „True! When I was about to engage in battle, I first evaluated the enemy’s mind by comparing it with my mind to determine who was more thoroughly prepared. Only after that could I know his situation. To evaluate the enemy’s ch’i I compared it with our own to determine who was more controlled. Only then could I know myself. For this reason, “know them and know yourself” is the great essence of the military strategists. Contemporary generals, even if they do not know the enemy, ought to be able to know themselves, so how could they lose the advantage.”

Li Ching said: „What Sun-tzu meant by “first make yourself unconquerable” is “know yourself”. Waiting until the enemy can be conquered is “knowing them”. Moreover, he said that “being unconquerable lies with yourself, while being conquerable lies with the enemy”. I have not dared to neglect this admonition even for a moment” (ibid., p.353).

„…..When two formations embody equal strategic power [shih], should one lightly move he may create an opportunity for the enemy to gain the advantage and thereby suffer a great defeat. [Strategic] principles cause it to be thus. For this reason armies encounter situations in which they will not fight and those in which they must fight. Not engaging in battle lies with us; having to fight lies with the enemy,”

„Sun Wu has stated: “If I do not want to engage in battle, I will draw a line on the ground and defend it. They will not be able to engage us in battle because we thwart their movements.” If the enemy has [capable] men, the interval between the clash and retreat cannot yet be planned. Thus I said that not engaging in battle lies with us. As for having to fight lying with the enemy, Sun Wu has stated: “One who excels at moving the enemy deploys in a configuration to which the enemy must respond. He offers something which the enemy must seize. With profit he moves them; with his main force he awaits them. If the enemy lacks talented officers, they will certainly come forth and fight. I then take advantage of the situation to destroy them. Thus I said that having to fight lies with the enemy” (ibid., p.358,359)."
8.5 Consideration of Other Author’s Work

Although certainly not extensive, there do exist a number of authors who have sought to use the classical Chinese works on strategy as a basis for setting business policy. Almost without exception these authors have relied solely upon Sun Tzu’s *The Art of War* as their source of material. Some author’s have published journal articles and others have written books, but in most cases their works have sought to rely upon the marketing hype of warfare or understanding Asian business practices as their market pitch. They are, in some cases, best described as general market publications rather than scholarly works but a number of them have been written by authors with strong scholarly backgrounds, namely Professors of Business Policy in major universities in North America, Europe and Asia.

Naturally each of the works considered commences with an acclamation of the virtues of using the Chinese works on strategy as a guide to business policy, however, such acclamations generally are either based upon general comment as to the relevance of warfare to business or understanding Asian thinking.

Lying outside these general comments are those works that are translations of the original work where their structure is certainly scholarly. Works that are principally translations have been used in the examination of the relevant work and are not considered in this section.

Despite the observation regarding the general nature of the existing published works and their focus of *Sun Tzu*, it is still important that they be considered in this research. Accordingly, prior to drawing the common themes that are present in the various Chinese classical works selected for examination herein, it is appropriate that a review be made of:

- how the various authors have interpreted the works, and
- the manner in which these authors have approached the task of relating the classical strategies to contemporary business practices.
The following comments are made on the methodology adopted in and the general content of the works reviewed:

➢ Wee, Lee & Hidajat in their book *Sun Tzu: War & Management* (Wee, Lee et al. 1991) have built a strategic planning model that seeks to draw the philosophy of Sun Tzu into a structured flow diagram in five linked parts that may be applied in business to make and manage strategy:
   ▶ Situation appraisal
   ▶ Formulation of goals and strategies
   ▶ Evaluation of strategies
   ▶ Implementation of strategies
   ▶ Strategic controls

The model appears more complex than that of Ansoff (ref. 2.4.1) and by its nature excludes the concept of change and tao that is inherent in the Chinese way of thinking. In creating their model they have listed all the points made in the work into a logical flow and sought to relate their relevance to business practices. It is a static model that fails to capture the life that permeates the Chinese approach to strategy.

➢ Teck & Grinyer in their book *Organising Strategy: Sun Tzu Business Warcraft* (Teck and Grinyer 1994) have drawn upon the doctoral research of the strategic planning processes of ASEAN companies to provide an opportunity to introduce the concepts of Sun Tzu. Their book is in essence a reporting of the findings of the research into strategic planning processes of companies resident in ASEAN countries in 1985. It is a book that seeks to explain Western strategic management theory and relate this theory to survey results. In the words of the author it then throws in quotations from *Sun Tzu to relieve the significance of the findings of the survey and to indicate that they have parallels in other arenas of strategic endeavour and indeed in other ages*. The doctoral research undertaken did not seek to consider the applicability of Sun Tzu to ASEAN practices but rather related practices to strategic planning models.
Teck also wrote a companion book to *Organising Strategy* in which he sought to explore the mind of Sun Tzu and to expand upon the concepts contained in *The Art of War*. This second book, *Reminiscences of an Ancient Strategist* (Teck 1997) is written in the form of a dairy of Sun Tzu and is fictional in nature. It does not as such expand upon his earlier work for the purposes of this research.

Khoo Kheng-Hor in his book *Sun Tzu & Management* (Khoo 1992) has sought to build a simple general management guide that draws in part from the work of Sun Tzu. The principal chapters contained in the book are:

- Know Yourself
- Being the Boss
- The Organisation
- People Management
- Internal Analysis Approach
- Office Politicking
- Management Information System
- The Strategy Formulation Process
- Formulating Strategy
- Strategy Implementation

The language of the book is very simple, as is the message it carries. It focuses initially upon the importance of leadership and the traits of these leaders and then moves on to emphasise the importance of employees. The consideration of the strategy process is superficial but it does relate the clear relevance of the work of Sun Tzu to contemporary management and tries to expand the strategy process to include strategic thinking. The source of the quotes from Sun Tzu are not cited, however, it would appear as if the author has made his own translation of the work and has been quite liberal in his translations.

Mc Neilly in his book *Sun Tzu and the Art of Business* (Mc Neilly 1996) examined the work of Sun Tzu and summarised the content of the work into six principle points that he believed represented its essence when applied to business strategy. These six principle points were:
Win All Without Fighting: Capturing Your Market Without Destroying It.
Avoid Strength, Attack Weakness: Striking Where They Least Expect It.
Deception and Foreknowledge: Maximising the Power of Market Information.
Speed and Preparation: Moving Swiftly to Overcome Your Competitors.
Shape Your Opponent: Employing Strategy to Master the Competition.
Character-Based Leadership: Providing Effective Leadership in Turbulent Times.

McNeilly has interpreted and applied Sun Tzu’s work at what may be best described as the operational level and focuses upon the specific characteristics of strategy that the work proclaims. He has not considered the systemic issues that Sun Tzu raises but rather has sought to relegate these points to operational issues. However, at an operational level this work provides a clear example of the relevance of Sun Tzu to contemporary business management by citing a variety of Western business examples and relating these against the advice of Sun Tzu. McNeilly has used these examples as a means of explanation and in support of the application of the work of Sun Tzu.

Levinson in his book The Way of Strategy (Levinson 1994) has sought to combine strategy advice from Chinese, Japanese, Indian and Western authors into a framework that examines strategy making in business. He has done this through a mixing of quotes, story telling and practical business examples. However, the style of writing and presentation of the work combined with such a diverse mixing of source material has resulted in a confusing message. The mixing of the various source materials seems to be ad hoc, as does the structure of each chapter. Levinson has sought to put too much variety into this one work.

Although the text is difficult to follow, the message that Levinson seeks to make is valid and consistent with other works. He identifies four aspects that he considers vital to a company’s success. These four aspects are:

Leadership: which is the most important aspect as everything else flows from this strength. It is the leaders personal strengths and weaknesses that are the focus of this aspect.
Management of human and physical: that includes structure and communication, culture, motivation, training and finally logistics of physical resources.

Responsiveness to competitors and the environment: where the focus is tuning-in on competitors' leadership and culture, and building an intelligence network.

Strategy and tactics: then becomes a more mechanical or technical aspect with a consideration of the characteristics of environment and certain types of conflict.

Krause in this book The Art of War for Executives (Krause 1995) has taken the work of Sun Tzu and used this as a framework to provide general business advice. The book does contain a number of quotes from Sun Tzu but in the main Krause has simply provided his own general business interpretation of the work. He has structured the book into thirteen chapters drawing upon themes from his interpretation of Sun Tzu. The chapters are: Planning, Competitive Actions, Competitive Strategy, Positioning, Opportunity & Timing, Control, Managing Direct Conflict, Flexibility, Maneuvering, Types of Competitive Situations and Causes of Failure, Competitive Conditions and Offensive Strategy, Destroying Reputation, Gathering Intelligence.

Krause has also written two other books that relate works on classical strategy to business management. The Way of the Leader (Krause 1997) examines in detail the traits and role of leadership drawing upon the work of Sun Tzu and Confucius for guidance. Krause believes that the success of a business rests solely with leadership and that leadership must be addressed firstly before a company may move forward. In this book he reinforces the importance of leadership and considers the issues of character, self-discipline, purpose, accomplishment, responsibility, knowledge and leading by example. The remaining book, The Book of Five Rings for Executives (Krause 1998), considers the work of a renowned Japanese samurai Miyamoto Musashi who wrote a strategy thesis in the year 1643 titled 'The Book of Five Rings'. This thesis is outside the scope of this research.
save to say that it is believed that Musashi was strongly influenced by Sun Tzu in his work and that this strategy thesis is held in high regard and is of equal standing to that of Sun Tzu’s work.

- Ralph Sawyer is a prolific writer in the field of classical Chinese strategy and it his translations that have been used as the mainstay of this research. In addition to his principal translation works used early in this chapter, he has also published the following works:
  - *Unorthodox Strategies for the Everyday Warrior* (Sawyer 1996c) commences with the reiteration of the foundation that there is no single principle that is ever applicable or which may dominate in all situations. So for example while speed and swiftness is generally seen as a key strategy there are circumstances where such action will only exhaust ones resources and people and lead to defeat. The book is in fact a translation of a work, *One Hundred Unorthodox Strategies – Pai-chan Ch'i-lüeh*, by an unknown author which represents a compendium of tactical principles and historic battles believed to be written in late 1200 AD being the commencement of the Mongol domination period. The work represents a systematic introduction to Chinese military thought and military history. The work provides a summation and explanation of tactical principles contained in the Chinese Military classics reviewed in this thesis.
  - *The Art of the Warrior* (Sawyer 1993a) is a summary of strategy and tactics as contained in Sawyer’s translations of *Seven Military Classics of Ancient China* (Sawyer 1993b) & *Sun Pin’s Military Methods* (Sawyer 1996a). The work is broken into five parts; Fundamentals, Tao of Warfare, Tao of Command, Tactical Essentials, and Tactical Specifics.
  - *The Six Secret Teachings on the Way of Strategy* (Sawyer 1996b) is a stand-alone translation of the first work contained in the Seven Military Classics namely T’ai Kung’s Six Secret Teachings.
  - *The Tao of Spycraft* (Sawyer 1998) is an historical work that examines the importance, theory and practice of intelligence gathering in Ancient China. Intelligence activities are considered fundamental to strategy making in the classical Chinese works.
Thomas Clearly is another author who has published quite extensively in the field of Chinese classics having translated the works of Sun Tzu and Sun Pin, however, his translations are liberal in interpretation and accordingly, they have not been used as principal works in this research. Other works that he has written that have been considered as general source material in this research include:

- *Mastering the Art of War* (Cleary 1989) considers the lessons that may be learnt from two principal sources, firstly essays on leadership and organisation by Zhuge Liang, and secondly, lessons on warfare that have been extracted from the work, *One Hundred Unorthodox Strategies – Pai-chan Ch’i-lüeh* noted above. The work on leadership and organisation confirms the themes carried in the earlier classical works.

- *Vitality Energy Spirit* (Cleary 1991) being a book based upon a classic Chinese Taoist work, *The Yin Convergence Classic – Yinfujing*, that proceeds the *Tao Te Ching* considers the elements of vitality, energy and spirit that permeate all Chinese classical thought.

- *The Taoist I Ching* (Clearly 1986) also known as the *Book Of Changes* which is considered the oldest Chinese classic and *The Lost Art of War* (Cleary 1996) being the work of Sun Pin.

Huang in his book *The Art of War* (Huang 1993) provides a translation of Sun Tzu’s work in its traditional form of thirteen chapters with the addition of explanatory commentaries to assist in an understanding of the work. In prefacing his translation Huang highlights what he considers to be cardinal thoughts of Sun Tzu that are often overlooked:

- Strategy requires a dynamically assertive spirit
- The purpose of strategy is not conflict but advantage. Conflict is merely one strategic tool.
- ’Not Battling’ is a form of strategy.

Wee Chow Hou in his journal article *Fighting Talk* (Wee 1997) notes that the work of Sun Tzu provides acute insights into the nature of business practices. He characterises Western management approaches as one that focus on what he calls *the mind* in that they treat management as a science and tend to adopt a clinical approach to managing the company and its people. Sun Tzu, however, focuses on *the heart* and winning the people’s total support making management far more of an art than a science. Wee believes that what is required is a healthy balance between the heart and mind in management practices. The *heart* approach focuses on issues such as:

- Social orientation
- Personal and people-orientated
- Takes a long-term perspective
- Builds loyalty
- Contributions assessed over one’s lifetime
- Reliance on psychic rewards
- Expertise not vulnerable to exploitation

A focus on the *mind* approach would lead to:

- Task orientation
- Impersonal and systems-driven
- Breeds short-term mentality
- Develops self-interest and individualism
- Worth depends on economic value
- Focus on tangible benefits
- Expertise can be bought and sold

Rarick in his journal article *Ancient Chinese Advice for Modern Business Strategists* (Rarick 1996) explores what he describes as the strategic management implications of Sun Tzu’s work. In doing so he identifies seven key elements in Sun Tzu’s work that he believes modern business should adopt in their strategic management practices, they are:
Leadership exhibiting the traits of wisdom, humanity, respect, integrity, courage, and dignity.

Deception of competitors by concealing a company’s true intent.

Valuing information as a critical competitive resource.

Flexibility

A mission that unites the company and its entire people around a common purpose.

Adopting strategies that avoid conflict.

Recognising the importance of strategy and strategic thinking.

Chen in his journal article Sun Tzu’s Strategic Thinking & Contemporary Business (Chen 1994) notes that the Asian mind considers the marketplace to be a battlefield and therefore their propensity to turn to military strategy for guidance. However, he also notes that there exists valid comparisons between warfare and business:

- Both strive for a favourable position by defeating their competitors while defending themselves.
- Competition and war are both confrontational activities and both require strategies and tactics.
- Companies and armies must be well organised and well managed.
- Leadership is critical in both.
- Both require high quality and committed people.
- Both require high levels of relevant information

Chen then went on to consider the relevance of Sun Tzu’s advice and focused upon those issues considered in Sun Tzu’s first chapter Initial Estimates. He listed and discussed each of the following elements relating them to modern business practices, the:

- Moral influence of the ruler
- Ability of the general
- Conditions of climate and terrain
- Implementation of laws and rules
- Comparative strength of troops
Training of officers and soldiers
Use of rewards and punishments

Tung in her journal article *Strategic Management Thought in East Asia* (Tung 1994) has considered Sun Tzu’s *Art of War*, Miyamoto Musashi’s *Book of Five Rings*, Lo Kuan-chung’s *The Three Kingdoms* and *The Thirty-Six Stratagems*. In considering these works Tung sought to draw a picture of what principles are adopted in strategy in Asia and in doing so she compiled a listing of twelve themes:

- The importance of strategies.
- Transforming an adversary’s strength into weakness.
- Engaging in deception to gain a strategic advantage.
- Understanding contradictions and using them to gain an advantage.
- Compromising.
- Striving for total victory.
- Taking advantage of an adversary or competitor’s misfortune.
- Flexibility
- Gathering intelligence and information.
- Grasping the interdependent relationship of situation.
- Patience.
- Avoiding strong emotions.

In drawing a conclusion to the review of *other authors works*, it can be said that:

- Although the approach adopted by each of the authors reviewed varies quite significantly, there is a common message evident in all these works being that the classic Chinese works on strategy do carry important lessons for contemporary business leaders, and
- The method adopted in this research of reviewing the classical works from a base of key criteria would seem appropriate to the aim and not inconsistent with what other authors have done.
8.6 Conclusion - Drawing Common Themes

The aim of this chapter is to provide a critical review of classical Chinese Military works on strategy being the third vertex of the triangulation noted in the main introduction.

The object of this review is to examine these classical works and to distill the central and common themes that may be present within the works. These common themes would then provide the basis of comparison against contemporary Western strategic management theory and the practices of experienced Australian businesspersons.

Chapter 9 may then proceed to draw a conclusion to this research by seeking to describe the relationship that exists between the three vertices examined and to consider whether an alternate framework for strategic management thinking does exist.

The eight works considered in this chapter have evolved over a period of some 1200 years from 1100BC to 100AD. And although questions exist as to whom are the real authors of some of the works and the evolutionary process that they went through before being committed to writing, they are still considered to represent the essence of classical Chinese military thought (Sawyer 1993a, p.vii-xiii).

A review of these works can clearly identify common themes that flow through each individual work. These common themes are evident despite the varying and evolving language that is present in each work and the fact that warfare was rapidly evolving, giving rise to developing tactical scenarios, during the years in which these works were written.

A review of published material that draws from these works and that have sought to relate them to business strategy, has reflected a diversity of approaches but also a commonality in message. Clearly the classical Chinese works carry relevant and
significant messages for business leaders that may be discerned by a reading and review of these works.

Accordingly, the approach adopted in drawing the eight works together is to review each and draw out its principle messages, thereby building common themes. These common themes when plotted in a matrix (Appendix 11) can be seen to be foundational to the various works and may be used to form the basis of number of paradigms that may be drawn.

The common themes that are evident in the works and that are considered critical in the building and maintaining competitiveness are:

- **Worthy Ruler & Leaders**
  - The traits of a worthy Ruler
  - The method of promoting of worthy leaders.
  - The importance of worthy leaders and their good and bad traits

- **The Relationship between Leaders & their People**
  - The importance of sharing wealth with the people
  - The importance of a worthy ruler to the welfare of the state
  - The relationship between leaders and their men
  - The importance of training and selection of men

- **Tao & Harmony**
  - The importance of Tao & harmony (ho)
Strategy is Evolving & Continuous
- The use of strategic power
- The use of the orthodox and unorthodox
- The importance of deception
- The use of spies
- The importance and role of planning
- Strategy is evolving and continuous

Motivation
- The equity of rewards and punishments across all persons regardless of level.
- The importance of righteousness
- The concept of ch’i
- The concept of the strategic balance of power
- Mutual responsibility and team building
PART FOUR

Chapter 9: Triangulation – Findings

9.1 Introduction

The aim of this chapter is to draw together the conclusions from each of the proceeding three parts:

- Contemporary Western strategic management theory,
- The strategic management practices of experienced Australian businesspersons, and
- Classical Chinese military strategy

And then to provide a forum for the discussion of the strength of the relationship within the triangulation formed.

Chapters 6 and 7 considered in detail the relationship between contemporary Western strategic management theory and the practices of experienced Australian businesspersons. As such this issue will not be reconsidered in this chapter save for the restating of the conclusions so as to achieve the aim of the chapter.
This chapter commences with the reiteration of the key criteria that was identified in each of the proceeding three parts (the triangulation). These key criteria represent a summary of the important concepts or principles that were noted in the review of each of the three areas of the triangulation. These key criteria serve as the starting point for the comparison of the three vertices of the triangulation.

The chapter then continues by drawing comparisons between each part considering each of the three parts in turn. The chapter concludes by seeking an explanation for the relationship that the comparison noted and exploring the limitations of the research that has been undertaken.

Chapter 10, the final chapter of this thesis, attempts to draw upon the lessons arising from this research and builds a model of strategic management thought that is consistent with the findings of the research.

9.2 Key Criteria of Each Part

9.2.1 Identification of Key Criteria

This research has proceeded in a pragmatic manner as follows:

➢ Firstly, the identification of the key principles of contemporary Western strategic management theory achieved through a review of literature,

➢ Secondly, the uncovering of the strategic management practices of experienced Australian businesspersons through the conduct of both qualitative and quantitative research methods, initially premised upon the key principles noted above, and

➢ Thirdly, a review of classical Chinese military literature guided and filtered through a listing of key criteria identified and built in both the first and second steps.

At the conclusion of each of the three parts of the research, key criteria was identified for that part. This key criterion represents a general outline of the key issues that were
dealt with in that part and provides a profile of the concepts noted. Accordingly, an initial comparison may be made between each of the parts through a comparison of the three profiles (key criteria) built. The key criterion for each part is as follows:

9.2.2 Contemporary Western Strategic Management Theory

There exists no dominant paradigm or theory within Western strategic management theory nor has there been a process of evolution. Rather, there exists a body of theory that principally centers on a series of key themes. These themes form the focus of debate within the field of study. Therefore, the key criterion identified in this part profiles those key themes that are the principle areas of attention. The profile reflects those matters that are considered to be the core of strategic management theory; those matters that management must be concerned with if their business is to be competitive. As there exists no agreement on best practices in each principle area, each is expressed as a question rather than a statement.

The following key criteria may be identified:

► What is the process where by strategies are formed or created?
► Who should form these strategies?
► What position should/would these strategy makers hold in an organisation?
► How does a Head office develop strategies for its subsidiaries?
► How important is formal analysis and planning in forming strategies?
► Are formulation and implementation separate activities?
► What role does vision, drive and motivation have in strategy making?
► Are Core competencies and competitive advantage the basis upon which strategy should be built?

This listing of key criteria is not as comprehensive as that contained at ref. (2.5.2) as it has been reduced to its core and excludes those elements that were added to provide adequate scope to the research process in the early stages.
Alternatively, this key criterion can be framed under five headings as has been used throughout this thesis as follows:

➤ How do you decide what action to take?
➤ What purpose do strategies fulfil?
➤ Who are the best people to decide what should be done?
➤ When considering what to do, is there a particular base you always come back to?
➤ Are there certain traits/attributes, which make a business more competitive?

9.2.3 The Strategic Management Practices of Experienced Australian Businesspersons

When considering the key criteria that best profiles the practices of experienced Australian businesspersons, the description contained at ref. (7.3) provides a detailed profile. Extracting the core of that detailed description the following criterion may be identified:

➤ Strategies are developed by senior management through a process of SWOT analysis exhibiting characteristics of tiered-down formulation and implementation.

➤ Strategy making seeks to build sustainable competitive advantages through a core competencies or resource/capabilities model.

➤ A first hand and intimate understanding of the business was considered necessary for strategy formulation, however, this was conditioned by the fact that senior management were considered the strategy makers.

➤ The five most important traits to be built within a business to underpin competitiveness were:

➤ Strong leadership providing direction and focus for the company
➤ Focusing on the customer
➤ Vision in setting the future course of the business
➤ Creating the correct culture within the company
➤ Being proactive not reactive
9.2.4 Classical Chinese Military Strategy

When seeking to identify the key criteria that profiles the classical Chinese Military strategy there exists a consistency in thought within the works that is not exhibited in either Western theory or practice. A profile of the key criteria identified at ref. (8.6) may be built as follows:

- Worthy leaders who exhibit the correct personal traits must be selected and promoted.
- Leaders must build a solid bond between themselves and their employees based upon trust and a common purpose.
- There must be equity of rewards across all levels of an organisation.
- Only worthy leaders in the pursuit of righteous causes can motivate people.
- Strategies must be:
  - Created upon a proper assessment of all relevant factors.
  - Developed by those closest to the market
  - Built upon the strategic balance of power and comply with correct strategic thinking (concepts of tao and chi).
- Change is continuous and therefore strategies must be evolving, dynamic and continuous.

9.3 Drawing Comparisons – Underlying Forces

While a comparison of the profiles (key criterion) noted might provide a prima facie view of the variances that exist, it does not identify the root cause of these differences. Further, as Western strategic management theory is so loose in it conceptual consistency, it is difficult to compare it against either practices or Chinese military theory without over generalising the process.

To identify the root cause of variances, it is necessary to examine the underlying principles upon which each approach has been premised. Again, this task is most readily achieved by considering each of the three parts in turn.
9.3.1 Contemporary Western Strategic Management Theory

At the core of the traditional approaches to strategy lies the assumption that through the application of powerful analytic tools, management can predict the future of any business accurately enough to allow them to choose a clear strategic direction. In essence they can predict and therefore control their future (Courtney, Kirkland et al. 1997).

Western strategic management theory has therefore expended a significant period of its life in seeking the holy grail, the method that will enable management to, when applied, determine those strategies that will make it successful. This task is seen as a scientific one whereby all variables can be determined and controlled.

A further fundamental premise is that, businesses must seek and maintain sustainable competitive advantage to ensure their continued success and provide a justification for the significant financial investments that businesses must make to remain competitive.

9.3.2 Experienced Australian Businesspersons Practices

The practices do not reflect the same focus on strategy making processes as Western theory but rather focus on the capabilities that make a business function on a day to day basis; the capabilities that enable a business to be competitive. Considering the five traits noted above (ref. 9.2.3) most readily highlights these capabilities:

➢ Strong leadership providing direction and focus for the company
➢ Focusing on the customer
➢ Vision in setting the future course of the business
➢ Creating the correct culture within the company
➢ Being proactive not reactive

Further there does not exist the same preoccupation with finding strategy as is evident in theory. The practices seem to reflect an approach of, get everything else right and strategy will follow.
9.3.3 Classical Chinese Military Strategy

Classic theory commences with the belief that strategy making is an art and that there is no such thing as a method that when applied will yield the correct solution. Rather it must be recognised that change is continuous and that the strategist must seek to recognise and understand all those elements that influence their position, then and only then can they formulate an approach that will provide them with a path to follow.

The concept of tao is fundamental, being the ability to work with the various forces at play in seeking your path. Conflict is something to be avoided at all cost.

The classic strategies can be clearly broken into two parts, systemic and tactical. Those that are necessary to build a community from which success will flow (systemic) and the issues of everyday push and pull in conflict (tactical).

9.4 Exploring the Relationship

A clear relationship does exist between Western theory, Australian practices and the classical Chinese approaches, however, this relationship should be viewed as evolutionary. This evolution can be seen when the key criterion and the underlying forces are considered hand in hand for each part.

Western theory may be viewed as simplistic and static. Strategy formation is undertaken at a distance from and in isolation to the marketplace. Strategy makers freeze all the variables, sit back and formulate a plan that is then communicated to the company members. Building long-term unassailable advantages is the goal with imitation being a common strategy. Strategy is more about command and control and maintaining such at the top of the company than it is about real competition. This is a system that is built upon and still dominated by economic imperatives that do not acknowledge the importance of the human factor and are premised on the belief that the future may be controlled. It is a system that is stagnant.
The Australian practices recognise the limited application of Western theory and although they follow such theory their view of strategy is not limited to that theory. The reality of being in business requires that management seeks to be competitive and accordingly theory is attuned to the real business world. As such how strategies may be formed does not take paramount importance but rather issues such as leadership, customer focus, vision, culture and proactiveness, top the agenda when strategy is considered. However, it is a system that is struggling to cope with a competitive environment and which has been unable to find a solid basis upon which to work.

The classical Chinese system is one that has identified the systemic issues that exist in competitive environments. The authors in this field have developed consistent paradigms over some 1200 years of practical testing that have endured almost 2000 years thereafter. This system recognises that competition is not a science but an art and as such there are certain skills that must be mastered and natural rules that should be followed. Further, that ultimate victory depends solely upon the ability of the strategists. There is no one method, there is no sustainable advantage, there is no certainty; there is only continual change and human effort.

Accordingly it is argued that the relationship that may be built between the three systems can be described as one of evolution. The Western system is static, fragmented and in its infancy, practices have through necessity develop this static system to a more developed form and then the Chinese system is one that would seem the most advanced at the present time.

**9.5 Common Threads**

Although the relationship that is described is one of evolution with Western theory being the most primitive, it does not lead to the conclusion that:

> Western theory is at odds with the classic Chinese theory,
> nor that it does not contain common elements,
> nor that some of its theories are not quite advanced in an evolutionary sense.

In fact the opposite is probably true.
Strategic Management Theory, Practice & Classical Chinese Military Strategy

Triangulation – Findings

The problem with Western strategic management theory lies in the fact that its core is locked to a framework that is not appropriate to the field of strategy. Whereas the strength of the classic Chinese approach probably lies in the fact that its underlying framework has the characteristics most appropriate to the field of strategy. These weaknesses and strengths may well be traced back to the alternate worldviews as discussed at ref. (8.2.3).

Having distilled the essence of classical Chinese theory and then compared this framework back against Western theory it becomes obvious that there are many Western authors who strongly criticise the prevalent Western theory and proclaim principles that are similar to the Chinese ones. However, these authors lie on the fringes of accepted Western theory and do not represent the core of such theory although their loudness and frequency has grown in recent years.

A consideration of these authors does, however, not only serve to identify the common threads that exist but also strengthens the argument supporting the application of classical Chinese theory to contemporary business practices.

Examples of these common threads are as follows:

- Mintzberg in his journal article *Musings on Management* (Mintzberg 1996) makes three critical observations:
  - Management is not a technical profession and certainly not a science whether applied science or other. Rather it is a practice, a craft that one must seek to master.
  - The view of a company as some form of tiered down structure is totally inappropriate. A Company is better viewed as a circle with the people on the outer rim being connected to the world and those at the centre being the most disconnected. Unfortunately, senior management who reside at the centre of the circle make the decisions, however, it is the people at the outer rim (the front line employees) who hold the most information about what is happening in the market.
Great companies don’t need great leaders who become the focus of attention to the outside world, the ones who saved the day. What they do need are competent, devoted and generous leaders who know the business well, put it ahead of their own interest and whom become the core of that business and protect its soul.

The Company 3M is rewriting its business plans from the common bullet format that emphasise financial data to that of strategic story telling. Under strategic story telling what is sought is an enticing scene that paints a picture of the market, the competition, and the strategy that will be used to win the market. This story telling enables participants to find themselves in the story and thereby build a sense of belonging and involvement and underpin their commitment and motivation (Shaw, Brown et al. 1998). The classic Chinese works note the importance of storytelling in communicating messages to the populace.

Collis & Montgomery note in their article *Creating Corporate Advantage* (Collis and Montgomery 1998) that there is no such thing as the best prescriptive strategy that may be adopted for all business. There in fact is an unlimited variety of effective strategies that may be applied. What is the best strategy will depend upon an assessment of all relevant variables applicable to that particular company at that particular time in the particular circumstances.

Chan Kim & Mauborgne in the article *Creating New Market Space* (Chan and Mauborgne 1999) note the common mistake of companies of meeting competitors head on and fighting on the basis of cost and quality. They believe a more appropriate strategy is to avoid conflict and to seek uncontested space.

Yoffie & Cusumano in their article *Judo Strategy* (Yoffie and Cusumano 1999) in which they examined the Netscape-Microsoft battle noted that key competitive characteristics were:
- flexibility so as to adopt varying tactics as necessary,
- rapid speed in moving to capture uncontested ground, and
the use of leverage as a tactic by using an opponents strength against them.

Mintzberg & van der Heyden in their consideration of organisational structure believe that competitiveness is enhanced if companies are not viewed as a hierarchical power structure but rather viewed as hubs and connectors that depict groups of people, the activities they undertake and the functional relationship between them (Mintzberg and Van der Heyden 1999).

D'Aveni in his book Hypercompetitive Rivalries (D'Aveni 1995) prescribes a process of continually defeating competitors by changing the rules of the game. This process should continue even when a company is successful as relying upon past success can only lead to defeat. Further, he believes that a company should actively conceal its plans from its competitors and seek to confuse them as to their intent. Speed and surprise are key competitive advantages.

Chakravarthy in his review of various strategy approaches (Chakravarthy 1997) notes that most of the extant frameworks in strategic management implicitly assume a simple, benign and not very dynamic environment. He sees that these frameworks are not capable of dealing with the current competitive environment. He believes that a more appropriate framework would be one that promotes a repeat first mover strategy where a company seeks to enter new uncontested ground ahead of others and rapidly build its customer network. To achieve this the company must be close to the market and be able to sense, that ground which is open and that which is closed.

De Geus in his article The Living Company (de Geus 1997) notes that companies die because their managers place too great an emphasis on thinking and acting in economic terms rather than recognising that a company is community of human beings that is in business to stay alive. He sees that often shareholders and senior management are not interested in the community that comprise the company but prefer to keep the company as a money-making machine for their own sole benefit. Unfortunately, such a view cannot prosper in the long-term. He prefers a
view of a company as a flowing river that must be renewed and which grows strong during flood season and low during drought season but always keeps flowing.

- Pfeffer has identified seven practices of successful organisations (Pfeffer 1998a) all of which contribute towards achieving performance through people that include:
  - Employment security
  - Selective hiring of new personnel
  - Organisational design premised upon self-managed teams and decentralised decision-making.
  - Comparatively high compensation tied to performance
  - Extensive training
  - Actions to reduce and eliminate all status barriers throughout the organisation.
  - Extensive sharing of financial and performance data throughout the entire organisation.

- Liedtka & Rosenblum in the article *Shaping Conversations* (Liedtka and Rosenblum 1996) believe that the quality of a company’s future is determined by the ability of all its people to think together about all kinds of futures that they want to create together for their mutual benefit.

- Mintzberg & Lampel in their article *Reflecting on the Strategy Process* (Mintzberg and Lampel 1999) make the observation that strategy should be seen to evolve not passively but creatively and unpredictably so, as companies seek unique solutions. Strategists should always be surprised by the ingenuity of those practicing in the field.

- Hamel in his article *Strategy Innovation and the Quest for Value* (Hamel 1998) notes that despite the significant resources invested into strategic management research, no one seems to know much about how to create strategy. He sees that
this failure has given rise to the problem of senior management focusing on the strategy rather than on the preconditions that will make innovative strategies just flow naturally.

➢ Chan Kim & Mauborgne in their article considering procedural justice and strategy (Chan and Mauborgne 1998) note that where strategies are perceived to be righteous and fair then they will win the support of the members of the company. When they fail to meet this criterion and for example have excluded employee participation, they are unlikely to succeed.

There are many elements within contemporary Western strategic management theory that correlate closely with classical Chinese military strategy, however, they need to be drawn together into a consistent body of thought that then becomes the core of future growth and development.

9.6 Conclusions

The aim of this chapter was to draw together the conclusions from each of the proceeding three parts so as to provide a forum for the discussion of the strength of the relationship within that triangulation.

This process proceeded firstly with the identification of the key criteria and the underlying forces for each of the parts. It then continued with a discussion of the level of relationship and the common treads that were present.

This process identified a relationship between the three parts that is best described as one of evolution. The strategy-making process as reflected in the classical Chinese literature, although created some 3000 years ago, is a fully developed system of strategy-making that is characterised by the consistency in thought by its various authors over some 1200 years. It is a system that addresses both systemic and tactical (operational) issues.
As for contemporary Western strategic management theory, it is still, comparatively, at quite a basic level. It is characterised by a lack of consistency of thought and struggles to come to grips with systemic issues and is generally focused at a tactical level. However, there have in recent years been a number of contemporary authors who have expressed dissatisfaction with the present state of the theory and if one examines their work in light of classical Chinese theory then the beginnings of a more comprehensive system can be seen. These authors although on the fringes of Western theory are promoting practices that can be recognised in the classical works evidencing the light in Western theory and the relevance of classical Chinese theory to business practices.

As for the level of development of the practices of experienced Australian businesspersons, although it was found that these practitioners adopted contemporary Western theory there existed a clear gap between practice and such theory. This gap was most readily identified from the language that the interviewees used. The strategy-making process of practitioners was more developed that Western theory in that it recognised the importance of building systemic characteristics before focusing on tactical issues.

The level of advancement within the Chinese system may be attributed in part to the philosophical worldview prevalent during the formation of this system and also to the fact that the system underwent some 1200 years of extensive testing. Comparatively, the lack of advancement of the Western theory may be attributed to:

- the prevalent Western worldview that encourages an approach to strategy that the creator can make and control, such a view being unrealistic in the contemporary business world, and
- the fact that it has only some 40 years of testing and refinement.

Accordingly, it may be said that the classical Chinese approach to strategy is an evolved and relevant system from which Western strategic management theory and Australian businesspersons may gain significant knowledge. Such knowledge will enhance the relevance and competitiveness of theory and practices.
Perhaps, however, there is a word of caution to be added to this endorsement of classical Chinese theory. Of the many works reviewed during the course of this research that considered classical strategies, without exception, they all strongly promoted their Asian origin. *Warfare* and *understanding Asia* were both used as marketing tools. To highlight this point by analogy, Western business practitioners may enjoy Chinese take-away every now and then, but it is not their staple food; it's a novelty and not to be taken too serious.

Perhaps supporters of the classical Chinese approach should simply take the message and present it in a form more familiar and acceptable to the palate of their intended reader.

The final chapter of this thesis, chapter 10, presents an approach to strategic management thought that seeks to take the essence of the message of the classical works and present them in a form readily applicable to business practices.

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9.7 Limitations of this Research

The limitations of this research lie in the structure of the research undertaken and may be listed as follows:

➢ It reflects a macro level study of strategic management theory and as such does not consider any one issue in depth but seeks to provide an overview of relevant theory by considering fifty different variables.

➢ It has defined practitioners as experienced Australian businesspersons who are listed in the directory Who's Who In Business in Australia as such can only be seen to represent the views of these persons.

➢ It has relied upon the English translation of the various classical Chinese works by Ralph Sawyer, Roger Ames and D.C. Lau for an accurate, complete and reliable translation of these works. A significant portion of this burden has fallen upon the translations of Ralph Sawyer.

➢ It has further relied upon English language works for gaining a perspective of the application of classical Chinese strategy to contemporary Western business practices.

➢ The conclusions drawn rely principally upon the literature reviews of both Western and Eastern literature and the qualitative research skills of the author to present a succinct argument.
Chapter 10: Concepts Arising

10.1 Introduction

The aim of this chapter is to provide a forum for the review of the concepts that have emerged during the review of the three vertices of the triangulation. A particular focus will be placed on classical Chinese military strategy as it is considered the most evolved system and the less understood in contemporary business circles.

In reviewing these concepts it is hoped that a model of strategic thought may be built that may form a basis of consideration for future research. It is not intended that this chapter provide a comprehensive discussion of this proposed model but rather provide an insight as to how relevant elements may be drawn together to form such a model.

A point worth noting is that although the classical Chinese system is considered the most evolved it does not follow that, Chinese or Asian businesses are, because of their origin, better at strategic management practices than their Western counterparts. Chen in his review of Asian Management practices (Chen 1995) spoke of the influence of the Sun Tzu and other works on Asian practices, however, such influence can only be classed as a general one; there exists a higher level of awareness but little more. Teck in his study of the strategic management practices of ASEAN companies found a high level of compliance with Western theory and models (Teck 1994). Unfortunately, it would appear that the value of the classical Chinese works has been lost in Eastern cultures as well.

In seeking to explore these concepts it should be noted that they do not represent a conflict or departure from contemporary Western theory but rather a development of this body of theory. However, in considering these concepts a conscious effort must be made not to impose Western thinking upon them but rather to open the mind and explore the concepts. For example, the Western and Chinese concept of strategic advantage are very different; as such the Western concept cannot be used as a point of
reference from which to consider the Chinese concept. In some instances it may appear that the words and concepts are the same, however, subtle differences when combined with other subtle differences, when employed to the fullest can give rise to significantly varied outcomes. It may be as simple as what Peters & Waterman noted in their work *In Search of Excellence* (Peters and Waterman 1982); the companies they selected actually lived by what they said. This ability to consider the Chinese concepts within their own right does require in some instances a leap of faith and understanding to breach the chasm between the two systems.

In seeking to outline the concepts of strategic thinking three perspectives are taken:

- An examination of a selection of relevant concepts from classical Chinese strategy.
- A diagrammatic representation of how these concepts may be built into a model.
- The application of these concepts and model to the five questions of strategy making posed throughout this research.

### 10.2 Classic Chinese Concepts

As noted in chapter 9, the classical Chinese system of strategy is most readily considered in two parts; systemic issues and tactical considerations. Systemic issues are those that affect the ability of a business to compete whereas tactical considerations are questions of how to compete. The focus of leadership must be on building the systemic characteristics into their companies, as these will create a competitive foundation from which the tactical considerations may naturally flow. Without this foundation it is not possible for a company to compete effectively.

#### 10.2.1 Systemic Considerations

The classical Chinese approach to strategy is quite different from Western methods, as the way they think of strategy is fundamentally different as discussed at ref. (8.2.3).

This difference is most readily illustrated by considering the following aspects:
Nature of Competition

The competitive environment is continuously changing and companies must seek the optimum path through this environment. There is no winning strategy that may be applied repetitively, there are only strategies that are appropriate at a relevant time and place. Change is continuous and provides opportunity. The winner will be the one who understands the nature of competition, the forces that are impacting upon their position and plots an appropriate path. To understand competition you must visualise yourself immersed in it and feel the push and pull of its forces. Only with an intimate understanding of itself, its competitors and the forces at work may a company move forward.

The Object of Strategy

The purpose of strategy is plotting the path to be followed after having considered all relevant factors. Conflict is to be avoided and if the correct path is chosen it will be unnecessary to overcome competitors. Strategy is not of one defeating with force, it is one of blending with, yielding, moving through, leaving behind and becoming invincible. Strategy will produce infinite options each appropriate to its time and place and only limited by human ingenuity. Any models of ideal strategy are futile, only discussions of the nature of forces are relevant.

Organisation Requirements

For a company to be competitive and find appropriate strategies that will always ensure its success, it must first focus on its organisational structure. Without this foundation nothing can be achieved. It must be its first and last focus of attention all the time; all decisions are referenced to these rules.
The issues of organisation structure include:

(a) Leadership & Centripetal Authority

Leadership forms the core of a company. It is its heart and strength and provides for its continual renewal. If the heart weakens or becomes poisoned then all the company is weakened and poisoned with it and competitiveness fades.

Companies are a community of people. Humans are irreducibly communal and drawn by centripetal force. Authority overlays this communal relationship and extends its influence symmetrically around its own axis. Leadership resides at the centre and derives its influence from the centripetal force. The strength of the force determines the degree and extent of leadership influence. Exemplary leaders form a beacon that attracts but they are visible to everyone and should they err all will know and be affected.

The purpose of the exemplary leader is to achieve harmony within their field of influence as it is only through harmony that competitiveness may flourish. The strength of competitiveness is determined by the strength of harmony. Harmony is achieved by following the right path.

An exemplary leader is not determined by the technical competencies they possess but by their personal strengths and weaknesses. It is the quality of character that companies must seek in their leaders. It is the quality of character that will determine the strength of harmony and competitiveness.

The strengths sought in a leader are:

- Courage
- Wisdom
- Benevolence
- Trustworthiness
- Loyalty
Leaders who exhibit the following weaknesses should be avoided:

- courageous and reckless
- hasty and impatient
- greedy and loving profit
- benevolent but unable to enforce discipline
- wise but unafraid
- trusting but liking to trust others
- scrupulous and incorruptible but not loving people

It must be remembered that the key relationship a leader has is with his employees not his shareholders, bankers, creditors or other stakeholders. Their prime responsibility is to their employees and it is against this relationship that the measures of trust, loyalty etc. are made.

(b) Righteousness

Leadership can only truly motivate their people through the pursuit of a righteous cause. A righteous cause is one with which the people can relate and which will enhance and improve their welfare (short term and long term). Profit for shareholders is not such a cause.

(c) Trust & Culture

Leadership gains their authority through centripetal forces that draw the people to the centre but it is the people who freely chose to be part of such. Leaders must build a bond with their people. This bond can only be built upon trust, loyalty and integrity. Leaders must put their people first and provide for their long-term welfare.
Once the bond of trust has been built then a culture underpinning that trust and reinforcing the right of leadership will grow.

(d) Competencies

Employees can only undertake those tasks that they are trained and equipped to complete. Leadership must ensure that training is a continuous process throughout the entire company and is consistent with achieving harmony.

(e) Growth & Structure

A leader’s sphere of influence is limited and they should not seek to enforce it outside the perimeter of its outer axis. They expand their influence by a process best described as enfeoffment, that is the posting of worthy leaders who exhibit the correct traits to positions at the outer rim of their influence.

10.2.2 Tactical Considerations

Tactical considerations refers to the push and pull that applies in everyday competition. It is seeking an understanding of the practicalities of out-maneuvering your competitors. Once the systemic requirements of a competitive company are established, effective strategy should flow.

Tactical considerations include:

➢ **Initial Estimates**

Planning is essential before entering into the competitive arena, the outcome of such action should be known in advance. An assessment should be made of:

➢ Which leader has the greater ability to create harmony and follow the correct path?
Which leader has the greater support of his employees who are committed to the company’s vision?

Which company has the advantages of the climate (political, economic and social) and the competitive terrain?

Whose employees are better trained and equipped?

Which company has the greater resources?

Tao & Yin

Tao is a fundamental concept that affects every aspect of life. It is most readily described as seeking to recognise and understand all the forces that are influencing your present and proposed course and then orienteering your way to your goal. It is reflected in the depth of understanding held by a company’s leaders. If they truly know their own company, their competitors and the environment in which they compete, then they cannot be defeated.

Yin refers to the process of blending oneself into the competitive environment so as to take advantage of the prevailing conditions. It is possibly easiest seen as not conflicting with, but working the situation to your advantage.

Strategic Advantage

Strategic advantage is a complex concept and is not related to the contemporary manner in which the term has been used. Strategic advantage can be seen to represent:

- aspect, situation, circumstance, conditions
- disposition, configuration, outward shape
- force, influence, momentum, authority

An understanding commences with the recognition that strategic advantage arises not from some independent event but emerges within a broad field of unique natural, social, economic and political conditions that are continuously changing. Further, although every situation has its unique characteristics there are general patterns of
movement that may be discerned. Once discerned and a shape is defined in the pattern, a position of advantage may be sought. These patterns arise from the polar opposites that exist between the forces in play.

Strategic Advantage is organic. Strategies should be both orthodox and unorthodox.

Advantage is gained by manipulating the positions and the differentials that exist between companies. There is a rhythm in the pattern of movements that once discerned may be used to advantage.

As there are infinite possibilities as to how to overcome a competitor; consideration of generally applicable actions to be taken is futile. An advantage will be found through human ingenuity and should not be restricted.

➢ Positioning

Positioning describes the process of placing your company in a position of advantage in relation to competitors and the environment in which you are competing. The position sought should be one where it is like ‘a hundred weight against just a few ounces’. When you unleash your competitive forces they should be unstoppable.

➢ Deception

All competition is won through deception and speed. Deception requires the use of form and formlessness. A competitor’s actions should be led so as to take form and expose their intent, while your intent should remain formless.

Invincibility resides in your hands while the ability to overcome a competitor lies in their hands.
> **Foreknowledge**

Foreknowledge is a reflection of a leader’s wisdom and refers to his ability to project what is going to happen in a market and thereby position their company to gain advantage. This foreknowledge comes from an understanding that any set of circumstances is the consequence of a dynamic process of organically related, mutually determining conditions.

However, as each set of circumstances is unique, a leader’s ability to project the future is subject to their insight and their access to relevant information. This information must be first hand and timely.

> **Adaptability**

Adaptability can be seen as a proactive action in dividing up and consolidating one’s forces as appropriate and a reactive action in knowing when and under what conditions to avoid engagement with a competitor.

An expert strategist moves their competitors and is not moved by them. Adaptability is not random or unplanned rather it is a capacity for responsive change built upon discipline and organisation within a company that enables leadership to remain in control.

Every competitive encounter is unique and therefore competitiveness requires adaptability.

### 10.3 Building a Model

If the profile of a competitive company as depicted through the systemic and tactical points noted above is drawn together into a coherent model the following picture emerges:
Worthy leadership forms the core of a company with the personal attributes of the leadership team being of foremost importance.

The employees of a company represent its competitive strength and leadership must build a bond with its employees. This bond is one of trust and respect and is created through the values and purpose that the leaders hold represented through the vision that they live.

The culture of the company grows from the bond with leaders and the vision that is pursued.

Motivation is driven from the foundation of the culture using rewards and incentives that are shared on an equitable basis at all levels.

Competencies and capabilities are built and renewed as the company lives in fulfilling the vision created.

The company is continually renewed through worthy leadership as it orientates its way through the environment.

A Company that is so built is tactically alive and will be competitively fit. It will be successful.
10.4 Responding to Five Questions

10.4.1 How Do You Decide What Action to Take?

The appropriate tactical action will be dependent upon an assessment of relevant factors that are influencing the company's competitive position at that time and place. This decision should be made by the manager on site who is directly responsible for the events taking place. They are the closest to the market and therefore are the one best placed to decide. There are no preset formulas on how to compete, but rather an intimate understanding of whom we are, who are the competitors and the climate and terrain in which we are competing. This will enable the positioning of our company to overcome our competitors. The nature of competition is best viewed as organic with change being continuous.

10.4.2 What Purpose do Strategies Fulfil?

The purpose of strategies is to ensure that our competitive position is unassailable or to defeat our competitors in conflict. The purpose of our company is to be competitive and successful and thereby meet the needs of all its members. The welfare of all its members is the company's prime objective with no segment being exploited.

10.4.3 Who Are the Best People to Decide What Should be Done?

The vision for the company is either established by the founder, to whom people are drawn, or if that person no longer exists then by the people who represent the core of the company. This vision must provide for the welfare of all the members, be fair and righteous and serve to motivate its people.

Strategies will then be formed by the person closest to the relevant market and will be in line with the vision that exists. Strategist must understand the nature of competition, what strategic advantage represents and how it is achieved and the correct path to follow to achieve harmony.
10.4.4 When Considering What to Do, is There a Particular Base You Always Come Back To?

The master strategist places their company in a position where their competitors are unable to compete with them. The competitors are unable to overcome the advantages that are held and are unable to discern where their next position will be. In the jargon of strategy, they are formless.

To limit the options that are available to a strategist by restricting their thinking to models such as core competencies is wrong.

10.4.5 Are There Certain Traits/Attributes, Which Make a Business More Competitive?

The following traits and attributes must be present for a company to be competitive:
➢ Worthy leaders
➢ Righteous values and purpose
➢ A strong bond where the welfare of employees is put first.
➢ Rewards and incentives equally available to all employees.
➢ Exceptionally trained employees
➢ Leaders who understand how to achieve harmony
➢ Leaders who know the nature of competition and strategic advantage
➢ Leaders who understand and use deception, adaptability and foreknowledge

10.5 Conclusion

The aim of this chapter was to highlight the key strategic principles that have been unearthed during the course of this research and to indicate how they may be drawn into contemporary business practices. The issues that have been touched upon in this chapter are complex and challenge many of the preset notions that are held. However, they also provide an alternate direction for strategic thinking that may be followed in the pursuit of competitiveness.
This alternate direction represents a model of strategic thinking in which the nature of competition and the role of strategy must be redefined. Many of the paradigms that form the most basic assumptions held by contemporary business strategists must also be challenged. Some examples are:

- there are no sustainable competitive advantages
- there is no such thing as three tiers of strategy
- employees are ultimately the sole source of competitiveness
- static models of strategic analysis are worthless
- there is no winning strategy that may be applied more than once
- all strategy is time, place and event dependent and specific
- generic strategies are merely prisons for creativity and competitiveness

It is also a model that requires a change of focus from functionally skilled leaders to one where the personal traits of the leader are paramount. The primary focus becomes one of worthy leadership and building a bond of trust with employees. It represents a model where the goal is to build a competitively designed company that is fit to compete in today's global markets. However, such fitness is reflected in the strength of the bond between leaders and employees.

Competitively fit companies are naturally tactically alive and therefore can compete effectively in the marketplace. Leaders must develop the skills of a tactician and understand the dynamic use of strategic advantage, positioning, deception, foreknowledge and adaptability.

Ultimately, the goal of strategic management must be to create businesses that think and act strategically in the competitive environments in which they exist and thereby ensure their own survival and provision for the welfare of its constituents.
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