Management in times of change: lessons from *The Art of War*

Though written 2,500 years ago, *The Art of War* by Sun Tzu is still highly relevant to business management in the 21st century. In this article Juan Antonio Fernandez updates Sun Tzu’s ideas and presents them in a business setting.

China has always been a fertile land of great thinkers. Most of those philosophers were concerned not with metaphysical quests but to finding ways to live a correct life in society. No wonder they excelled in sociology, psychology, ethics and the organisation of society. They devoted themselves to searching for, examining and then prescribing ways of establishing a harmonious and orderly social life.

The consultant as philosopher

Sun Tzu lived in the state of Qi, the current Shangdong Province of China, around 500BC. Tzu was a respectful title people in the Chou Dynasty (11th century-255 BC) used to address philosophers. It can be translated as “professor” or “master”.

At that time, China was divided into numerous states engaged in virtually perpetual warfare. It was a time of chaos, with constant conflicts and upheavals. This period in Chinese history is known as the Warring States (475-221 BC).

It was also during this time that a group of scholars with expertise in the conduct of war and the organisation of the state travelled around the country, offering their advice to those rulers who were willing to pay for their services. They were the first consultants in history. Among them, Confucius (Kong Zi in Chinese) was undoubtedly the most famous. Sun Tzu belongs to the same category of philosopher-consultant.

Paradoxically, this time of social confusion and the decay of public institutions was also a golden age for China, a time of splendour in arts and philosophy. Among the many thinkers of the time, Sun Tzu is one of the few masters whose work has survived. Even today, 2,500 years later, his treatise *The Art of War* is still published and widely consulted.

*The Art of War* is the first practical book on how to manage armies and conduct wars. It is also one of the few masterpieces of antiquity that you can still find in any bookshop in the world.

But the question is how a work about military strategy written so many years ago can be relevant to contemporary management.

**Piloting the theories**

It is said that when Ho-Lu, the king of the state of Wu, read *The Art of War* he called Sun Tzu to his palace. The king wanted to test the effectiveness of his ideas. Sun Tzu accepted the challenge without any hesitation. He asked permission to use the king’s concubines for an exercise with the condition that the king must respect Sun Tzu’s decisions. The king agreed to this.

Sun Tzu divided the women into two groups and selected the king’s two favourite concubines to be the commanders. He explained to them the main elements of military exercises. When he finished his explanations, Sun Tzu asked whether or not they had understood the rules. All the women answered with affirmatives. However, when Sun Tzu started to give orders, all the women roared with laughter. Sun Tzu said: “If the regulations are not clear and orders not thoroughly understood, it is the commander’s fault”.

He then repeated the instructions once more. When he gave orders for the second time, the women again burst into laughter.

This time Sun Tzu said: “If the regulations have been sufficiently explained but are not carried out, it is the fault of the officers”. Then he ordered the two concubines to be beheaded. On hearing this, the king hurriedly told the master that he had perfectly understood his system so it was not necessary. But Sun Tzu did not accept his pleading and went on with the executions. After that, he appointed two other women as company commanders and continued the exercises.

This time, when Sun Tzu repeated his orders, no one dared to laugh and the military exercises were in strict accordance with his instructions. Meanwhile, the king was so depressed by the loss of his two beloved concubines that he had no more interest in viewing the exercises. So Sun Tzu said to him: “Your highness likes words but has no courage to carry them out”.

Hopefully, readers will not apply this story literally. The purpose here is not to repeat Sun
Tzu’s text but to re-interpret it in the light of modern management and then find guidance to solve current problems. For example, the military terms such as army, terrain, enemy and commander used in the treatise are replaced with business terms such as organisation, environment, competitor and leader.

Management in times of change

The success of an organisation depends on four conditions: common purpose; responsiveness to the environment; able leadership; and effective flow of information.

Common purpose

“The organisation in which leaders and employees are united in purpose will be successful”

The leader’s greatest responsibility is to align his or her organisation with a common purpose. That means that the thoughts and deeds of every member in the organisation are aligned with the goals the leader has established. In this way, expert leaders can have very subtle control over the whole organisation, just as if they were directing a person by holding his hand.

What can we do to achieve this kind of alignment? It is mainly the product of the leader’s example. Exemplary conduct springs from a noble character and corresponding behaviour. As a result, leaders are able to establish and maintain harmony inside the organisation. Harmony in the organisation and the leader’s exemplary character are two sides of the same coin (see Figure 1).

When the authority of leaders is highly respected, it is easier to form a harmonious relationship between them and their employees. The authority of leaders does not stem from their position but from their noble character and their example. Their duty is to ensure that harmony exists in the organisation. They do this by preventing internal conflicts, enforcing order and discipline, and being a role model to follow. Unless they do this, leaders cannot earn respect from members of their organisation.

In China, dynasties that were not able to keep the peace (harmony) and experienced frequent upheavals were said to have lost “heaven’s favour”. Contrary to the Western system where the rulers’ legitimacy comes from the democratic tradition, in China it was believed that rulers received their power from heaven. When the society was in chaos, it meant that heaven had withdrawn its mandate.

This idea of maintaining social stability is still very important in today’s China. Generally speaking, Chinese seek harmony and try to eliminate conflicts in their organisations. If there is no way to avoid conflicts, then they pretend they don’t exist. In Chinese organisations conflicts are rarely dealt with openly; so when they exist they tend to be hidden. Social harmony or, at least, the appearance of it, is crucial.

We can approach the concept of harmony in two different ways. On the one hand, it means uniformity of ideas and behaviour; on the other, it means the blending of different ideas and opinions. The concept of fertile harmony corresponds to the latter. It is impossible to

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**Figure 1** Common Purpose
create music with one tone even if it is repeated a thousand times. In order to produce music we need to mix the sounds of different instruments, just as in order to create a succulent dish we need to combine different ingredients.

The harmony we are talking about here belongs to the second type. Leaders must be able to bring together different people, with different backgrounds and opinions, and unite them towards the achievement of a common purpose, a necessary condition for success. Good leaders should respect diversity and be able to coordinate people with different ideas and concepts, encouraging them to work towards a common purpose, thus achieving unity in variety and diversity.

**Responsiveness to the environment**

*Just as the water flows according to the terrain, so an organisation will vary its methods of succeeding according to the competition*

Paying attention to the organisation itself and the creation of a common purpose is what we call the internal focus. But leaders also need to pay attention to the outside environment, the external focus. The success or failure of a company is largely due to the quality of its leaders’ decisions; therefore it is crucial that these are taken based on a sound understanding of the external environment.

There are no recipes for success, especially in a dynamic environment in which conditions constantly change. What used to work in the past may not necessarily work now. Therefore every situation may require a new approach to reach a decision. Leaders must possess the ability to innovate continuously and be able to make correct decisions in new situations. This is the quality of good judgement (see Figure 2).

Every company has its own competitive advantages and a unique strategic position but utilising these advantages and position can be a difficult task. Competitive advantages include intangible assets such as trust in the leader, employees’ commitment to the organisation, the leader’s awareness of opportunities available in the macro-environment and flexibility when facing change. The strategic position involves tangible elements such as economic strength and the quality of assets.

Able leaders utilise their company’s competitive advantages and strategic position in accordance
with the conditions in the environment. At the same time, competitive advantages and strategic position do not last for ever. On the contrary, their relevance will depend on the environmental conditions. So we should actively adjust the organisation to new situations as they appear. Leaders should actively create flexible and responsive organisations so they can make better use of the company's competitive advantages.

**Able leadership**

“The leader is at the core of the company. With an able leader, a company has all the possibilities to succeed. Without an able leader, a company will be in chaos.”

Leadership originates from a noble character. There are five virtues a leader should cultivate to overcome five weaknesses (see Figure 3).

The five weaknesses to overcome are: recklessness; insecurity; volatility; over-sensitiveness to criticism; and leniency. All these weaknesses will affect a leader’s decision-making process and therefore have an impact on the company's success.

As we noted, past success does not guarantee future success. **Recklessness** implies a decision made with incomplete consideration. **Insecurity** will result in indecision and this will make one afraid of change. **Volatility** will hurt one’s relationship with subordinates. When a leader is unable to control himself, how he can win respect from others? Leaders who cannot control their temper expose to others nothing but their own incompetence.

Similarly, **over-sensitiveness to criticism** is another barrier to self-improvement. If we are not willing to listen to others’ feedback we are missing opportunities for self-improvement and learning. Some employees may even hide problems from their superiors for fear of irritating them. The last weakness, **leniency**, is about sentimentalism. It causes a leader’s undue involvement with the personal problems of employees. An erroneous message is passed to

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**Figure 3** Qualities of Leadership
people when leaders mix their personal feelings with the understanding of problems and tolerate employees' misbehaviour. Then, some people will be likely to take advantage of the leader's weakness while others will feel unjustly treated.

Leniency will damage the effectiveness of the company as the employees become like spoiled children. Leaders should avoid excessive familiarity and involvement in employees' personal matters. They should keep an appropriate distance from their employees; they should be mature, calm and fair.

Besides the five weaknesses to be avoided, there are five qualities that should be cultivated: integrity; courage; kindness; discipline; and wisdom.

*Integrity* is about to the matching of words and actions, to “walk the talk”. Only persons of integrity can win others’ trust since they deliver their promises. And trust is the foundation of the leader’s authority. Leaders should possess *courage*, so they can make decisions at critical moments. These decisions should be resolute and sound at the same time. Leaders win their battles before fighting them.

As for *kindness*, leaders should consider the well being of every member of the organisation and respect the value of every person. In addition to kindness, *discipline* is also very important. One has to first discipline oneself before managing others. Leaders should set up an example by abiding by the norms of the organisation; only then is possible to ask others to follow them. Able leaders cannot only win gratitude through their care towards others but also unite them through disciplinary measures. The combination of kindness and discipline is what guarantees employees’ loyalty to their leaders. This is also developed by the leader’s exemplary conduct.

Finally, and perhaps most importantly, leaders must have *wisdom*. Wise leaders consider problems systematically and are able to plan their actions based on sound understanding of the business environment after careful analysis of the strengths and weaknesses of the company. Wise leaders must be flexible and should not follow conventional rules; they should take action when necessary. They do not oppose change but foster it so as to promote the progress and development of their company.

Wisdom in this sense also means the ability to be aware of the conditions of a particular situation and be able to foresee the result of one’s action. The external environment is the outcome of a dynamic process with various independent elements interacting with each other. Therefore, a decision made to tackle a particular problem faced by a company will have an effect on other parts of the organisation. From this we can see that true wisdom is a combination of good judgement and opportunity.

Leaders’ decisions are of critical importance to the success or failure of an organisation. Cultivating these five qualities as the source of leadership is not something external to an individual but comes from within. Leadership originates from within a person rather than by the possession of special skills. Able leaders are like a treasure to their companies.

*Fluid flow of information*

“A well designed organisation makes managing many employees the same as managing a few.”

A good organisation should have a proper control system, clear communication channels,
sound allocation of resources and talented middle managers. The last point is fundamental because the determinant factor of success is not so much the competitive advantages of the company but the people constituting the organisation who can leverage those competitive advantages. Therefore one should not resist, much less oppose, providing the necessary resources that can attract talented people.

A critical point in the management of people is a fair system of rewards and punishments. When many rewards are given, it only indicates that a company has many problems. Similarly, if too many punishments are enforced, it indicates that the company lacks common purpose. Justice and fairness are also very important when making decisions on internal transfers and promotions. Lastly, proper training plays a fundamental role in the proper use of human capital.

There are two characteristics of the fluid flow of information in an organisation. First, it must be focused on the obtaining and transmission of information. Second, it must be able to adapt to the changing conditions of the environment. Only then can an organisation survive a highly
How can we become leaders? The answer comes from the five qualities to foster: integrity; courage; kindness; self-discipline; and wisdom. A manager who cultivates these five virtues will gradually become a model in the eyes of employees.

In contrast to the Western view of leadership, where leaders are at the top of the organisation with the organisation serving them, in this model, leaders occupy the centre at the organisation and they serve the organisation. They are like the centre of a wheel. All the spokes meet at the hub. If the hub is not strong enough the wheel will inevitably collapse (see Figure 6).

Let’s conclude this exploration of Sun Tzu's ideas with one of his well-known quotes: “Know your competitors, know yourself and success will never be at risk. Know the ground, know the natural conditions, and success can be total”.

Final thoughts
The secret of success lies in the achievement of an organisation united around a common purpose with a leader who respects the individual, treasures diversity and tries to create a harmonious atmosphere and that constantly monitors the external environment, ceaselessly obtaining information and taking effective action to adapt itself to changing conditions.

Furthermore, leaders have a fundamental role in this model. They must possess a noble character, being a role model for the rest of the members of the organisation (see Figure 5).

The leader plays a crucial role in this model. There is a saying in China: if a soldier is incompetent it is the problem of one; but if the general is incompetent then it becomes the problem of the whole army. Leaders should be an example to the whole organisation. Their authority comes from their noble character. The old question is whether leaders are born or made. In this model, leadership can be developed through personal effort.

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Resources