Sun Zi Art of War and SWOT Analysis: Perspectives and Applications to Business

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Sun Zi Art of War (孙子兵法) is a the most well-known Chinese military treatise that is known to the Chinese as well as the western world. Written around the 4th to 5th century B.C. and consisting of only 13 chapters, its value in influencing military thinking and war strategies has seldom being questioned. What is more interesting, however, is its relevance to the corporate world of business. Increasingly, military clichés have been used in the business realm. For example, terms like price wars, product wars, battle of the corporate giants, etc. have found increasing acceptance among business writers and analysts. The aim of this paper is to introduce readers to the value embedded in ancient Chinese military philosophy like Sun Zi Art of War, and how such philosophy can be applied to the realm of business. In particular, it provides an interesting insight into understanding that the concept of SWOT (strengths, weaknesses, opportunities and threats) analysis that is so commonly known in strategic management probably originated from Sun Zi Art of War.

Keywords: SWOT Analysis; Sun Zi, Core Competence; Dell Computers; Knowing Yourself

1. Introduction

Many Chinese are probably very familiar with the following Chinese saying:

知己知彼，百战百胜
zhi bi zhi ji bai zhan bai sheng

Know yourself, know your enemy; hundred battles, hundred won.

In my numerous speaking forums, whenever I asked my audience who were familiar with Chinese culture and language, they were able to recite the above saying for me. When asked more about the originator of the saying, many of them would attribute it to Mao Zedong (毛泽东), the Chairman of the Communist Party of China during the cultural revolution. Indeed, it was Mao Zedong who popularized the saying. However, what many readers may not realize is that Mao Zedong, who was apparently an avid follower of Sun Zi Bingfa (孙子兵法), probably adapted his saying to suit his own purpose.

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In the closing lines of his Chapter 3 on Strategic Attacks (*mou gong* 谋 攻), Sun Zi said:

故曰：知彼知己，百战不殆；

Thus it is said: He who knows the other side (the enemy) and knows himself will not be defeated in a hundred battles.

不知彼而知己，一胜一负；

He who does not know the other side (the enemy) but knows himself will have an even chance of victory or defeat.

不知彼，不知己，每战必殆。

He who does not know the other side (the enemy) and himself will doubt that he will be defeated in every battle.

Based on the two sets of sayings by Mao Zedong and Sun Zi as cited above, I would like to make a few comments about them. First, the Chinese word, *bi* (彼) actually means the other party or the other side (*dui fang* 对方). As such, it does not necessarily refer to the enemy. Unfortunately, in many translations that I have read on Sun Zi, the word, *bi* (彼) has often been mistakenly translated as the enemy. This is incorrect. The Chinese word for enemy is *di* (敌), and in the writings of Sun Zi, he often referred to *di* (敌) throughout his writing as and when needed. For example, in his chapter on Dispositions of the Army (*xing* 形), Sun Zi said:

昔之善战者，先为不可胜，以待敌之可胜。

In ancient times, those who were skilful in warfare ensured that they would not be defeated and then wait for opportunities to defeat the enemy.

There is clearly a distinction between the enemy (*di* 敵) and the other side (*bi* 彼) in the writings of Sun Zi. The logic is not difficult to understand. This is because in the context of war, there is no such thing as a constant enemy. In fact, before two parties go into battle against each other, it is often
preceded by negotiations. At that stage, they cannot be considered as enemies. At most, they can be considered as the other side or the opposing side (对方 dui fang). If the negotiation is successful, they may even end up by forming a strategic alliance between them! They only become enemies when they go to war against each other.

In the same way, companies cannot be considered as competitors unless they compete directly or indirectly against each other. In the corporate world, it is very common to find mergers and strategic alliances formed among the harshest of competitors. Clearly, when they go to the negotiating table, they do not go with the intention of “killing each other.” Rather, they view the other company simply as the other side which may become a potential strategic partner or competitor. In sum, the Chinese word, bi (彼) therefore encompasses the enemy (di 敌), but the enemy (di 敌) is definitely not the same as the other side (bi 彼).

The fine distinction to be made between bi (彼) and di (敌) is very important. This is because when it comes to the application of the term bi (彼) in business, it has a much wider scope of interpretation. The other side (bi 彼) would therefore include anyone or party that a company has to deal with in business. Other than the competitors, this would include the customers, the suppliers, the media, the politicians, the bankers, the analysts, etc. The list is limitless so long as it is the other party that a company has to deal with. Clearly, except the competitors, the rest are definitely not “enemies.”

Second, it is very significant to note that Mao Zedong actually reversed the order of the saying by placing understanding of the self (ji 己) before the other side (bi 彼). In contrast, Sun Zi clearly placed bi (彼) before ji (己). In other words, accordingly to Sun Zi, it is more important to know the other side before knowing oneself. There is good logic to this, and I shall explain it later.

Finally, according to the quotations cited from his Chapter 3, weather and terrain have been left out in the analysis. For those of us who have some military knowledge, the importance of weather and terrain cannot be discounted in the conduct of war. In addition, support of the citizens are also important. In fact, the Chinese has a saying that emphasizes the importance of the weather, terrain and people factors (tian shi di li ren he 天时地利人和). This saying probably originated from a similar statement made by Mencius¹ (Meng Zi 孟子) who said:

¹ Mencius or Meng Zi (孟子) was one of the best known disciples of the great Chinese philoso-
The advantages gained from weather are inferior to those of terrain, and the advantages gained from terrain are inferior to those gained from winning the harmonious support of the people.

The validity of the above saying is well-tested during the Vietnam War. While the American army was able to overcome the adverse tropical weather, they were severely handicapped when it came to fighting the Vietnamese guerillas in the unfamiliar jungle which posed great constraints to the maneuvers of the American troops and the deployment of their more powerful weapons. For example, the thick tropical forest made the movement of motorized troops impossible and greatly hampered the capability of automatic weapons and machine guns. Worst of all, the Vietnam War did not receive the support of the average American at home. In fact, historians concluded that the Americans did not lose the war in Vietnam. Rather, they lost the war on American soil as the average citizen did not support the military campaign at all. In other words, the Vietnam War did not win the hearts of the American people. Thus, while the American troops had no choice but to support the war mission, their convictions were greatly negated by the lack of support at home and the strong resistance of the local population in Vietnam. As a result there was no harmony between the citizens and the political masters. The ren he (人和) factor was absent.

It is interesting to note that Sun Zi only mentioned the weather and terrain factors much later in his book. This was found at the end of his Chapter 10 on Terrain (地形篇 di xing pian):
知 彼 知 己，胜乃不殆;
知天知地，胜乃不穷。

Know the other side (the enemy), know yourself, and your victory will not be threatened.

Know the weather, know the terrain, and your victories will be limitless.

Note that both Sun Zi and Mencius highlighted the need to master the human factor first. Sun Zi focused on understanding the other side and oneself, while Mencius emphasized the need to have the support of the people. However, Mencius placed the importance of understanding terrain over that of weather. In contrast, Sun Zi advocated the need to know weather before terrain. This seemingly contradictory view will be addressed later.

2. Comments and Observations

2.1 SWOT Analysis in Action

In the context of business competition, to know the other side and to know oneself is tantamount to trying to know the strengths and weaknesses of oneself relative to the competitors. Weather and terrain, on the other hand, refers to the macro environment that a firm operates in. In business, we are usually concerned about the weather or business climate. Similarly, we are concerned about the terrain or the infra-structural factors that can affect business operations. For example, it is very apparent that while the infra-structural factors in Asia have been improving tremendously in the early 1990s with the building of many new airports and harbors (such as in China, Hong Kong, Malaysia and Thailand), the business climate was greatly dampened by the Asian financial crisis that began in July 1997 when Thailand floated its bath. As of early 2001, a few Asian economies have yet to come out of the adverse climate although the infra-structural facilities have not changed.

Understanding the business weather and terrain therefore is an attempt to uncover the opportunities and threats that exist in the environment. Indeed, understanding the strengths, weaknesses, opportunities and threats is typically known as SWOT analysis in modern strategic management. Interest-
ingly, SWOT analysis is very much captured by the saying of Sun Zi.

2.2 Knowing the Other Side and Oneself before Weather and Terrain

It is significant to note that Sun Zi apparently placed more emphasis on understanding the other side (the enemy) and oneself before understanding weather and terrain. In fact, in the earlier quotation cited from his Chapter 3 on Strategic Attacks (mou gong 谋攻 篇), Sun Zi left out weather and terrain completely. The need to place greater emphasis on understanding the other side (the enemy or competitor) and oneself may not be very apparent to many readers. However, on closer reflection and analysis, there is profound logic in the philosophy of Sun Zi. In war, weather and terrain become relevant and important only when there are some chances of victory. However, if the probability of winning is zero or close to zero, weather and terrain will be of little help. In other words, when you are outnumbered, out-gunned, and out-equipped by the enemy, weather and terrain cannot help you much.

The same logic applies to many other situations. For example, if the national soccer team of Singapore were to take on the Brazilian national team, it does not matter where the match is played. Regardless of the weather and field conditions, the result would be very obvious to anyone. The same is true if the national basketball team of Singapore were to take on the NBA champion team of the American basketball league. It does not matter where the game is played and the climatic condition of the stadium or playing site. Singapore, given its current standard, is guaranteed to lose. In fact, it is not a case of losing, it is a case of the margin of loss that spectators would be betting on.

However, when both sides are equally matched, or where the odds are not too lop-sided (e.g. 60:40, 70:30, or 80:20), then mastering the terrain and exploiting the advantages conferred by the weather can become very important in tilting the odds. In other words, if the general of a smaller army is able to use the terrain and weather to his advantage, he can definitely increase his odds of winning against a larger army. A good illustration of this principle can be found in the realm of sports.

Many organizers would lobby aggressively to have important games played in their home grounds in order to gain advantages. It is common knowledge that the home country typically does better in any major sports like the Olympics. In the 1998 World Cup, it cannot be denied that the excellent performance by France (it not only entered the finals for the first time,

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4 This is equivalent to doing a competitive analysis.
but went on to beat Brazil by a comfortable 3-0 margin) could be attributed, to no small extent, to its host status. The French team had the advantage of playing in the same soccer pitch for every match and enjoyed the strongest support from its home fans. On top of that, the organizer chose to conduct the event at a time when the weather was an advantage to the home team. In other words, French won because it had the advantages of the weather, terrain and people factors (tian shi di li ren he 天 时 地 利 人 和).

Interestingly, the last time the French won a major soccer championship was also when it played host to the European Championship in 1984. At the same time, it is significant to note that six nations have thus far won the the world cup when they played host. These nations are Uruguay (1930), Italy (1934), England (1966), West Germany (1974), Argentina (1978) and France (1998). If statistics are of any bearing, the country that organizes the world cup ends up winning it more than 60% of the time. Indeed, the advantages of the weather, terrain and people factors (tian shi di li ren he 天 时 地 利 人 和) were repeated in the last world cup for women soccer. Despite losing on more occasions to China, the American women soccer team beat the Chinese team in the finals. While the Chinese team was made to travel from the east to west coast and subjected to changing weather conditions and varying terrain, the American team only played at the same pitch throughout the competition. Clearly, the United States cleverly exploited the weather, terrain and people factors (tian shi di li ren he 天 时 地 利 人 和) to their maximum advantage.

Similarly, in business, it is extremely difficult for a small firm to take on a large corporation if they are both selling the same product. In general, a large company enjoys many advantages, including economies of scale. It is therefore not surprising to find that in any economic downturn, the small and medium-size firms are the ones that will be the first to be affected, and typically in the harshest way. For the same reason, when China first opened up to the outside world in the 1980s, many of its local firms could not take on the foreign multinational companies. This is despite the fact that the Chinese local firms are very familiar with the business climate of China and the local market situation (terrain). The cause – these foreign companies were very well-endowed and brought with them far superior products and services (including strong brand names) into the Chinese market. It was only in the early 2000 that increasing number of Chinese companies has been able to take on these foreign companies, especially in the realm of consumer products.

A good example is that of Tsingtao Beer (青 岛 啤 酒). In the early 1980s, it simply could not compete against foreign brands like Budweiser,
Heineken, Carlsburg and the like. Despite its seemingly large domestic market share and understanding of the Chinese market, it encountered severe difficulties in tackling these global giants. This was because prior to the entry of these global foreign brands, Tsingtao had never encountered severe competition. It thought its range of products was good enough. However, after the initial setbacks, Tsingtao began to understand and analyze the product, marketing and business strategies of its competitors. It began to improve its own product, packaging, advertising, and marketing strategies. In essence, it developed its counter offensive strategies after knowing the competitors and appraising itself. With effect from 2000, it was even able to take over some of the foreign breweries in China while increasing its market share.

2.3 Knowing the Other Side before Oneself

Sun Zi emphasized the importance of knowing the other side (彼) first before oneself (己). This is because in war, it does not mean that if the enemy is weak, you are guaranteed of victory. Let me explain. Just like war, in business or in sports, the probability of winning or losing depends a lot on whom you are fighting or competing against. You may be very strong, but if your competitor is much stronger than you, you become weaker by comparison. The chances of winning are then greatly diminished. In other words, absolute strengths alone do not determine the outcome of a competition. Rather, winning or losing is based more on relative strengths. What is important to recognize is that the resources that are at the disposal of the company do not change overnight. Neither would its product features and services. In almost all instances, the product features and corporate resources remain relatively constant or static over a period of time. Whether they become competitive strengths or weaknesses are not determined by you. Rather, in any competitive situation, whether the same product features or corporate resources become strengths or weaknesses will be determined by the competitors (or enemies in the case of war). If the competitors have less resources and capabilities, then you are stronger by default. However, if they have much more capabilities and resources than you, then you become vulnerable and weaker.

Here, it is important to note that knowing the other side does not stop at just assessing its strengths and weaknesses relative to yours. More importantly, there is a need to understand the disposition or psyche of the other party, especially with regards to his competitors. Let me illustrate.

Prior to going to war, among the first comments made by a general will be that of “Who am I fighting against this time?” You can be a giant while the enemy is a one-eyed dwarf. However, there is no cause for rejoicing.
This is because this one-eye dwarf may have a high suicidal and sacrificial tendency. In his quest for heroism, this one-eyed dwarf may have dynamites strapped all over his body and holds two grenades (with the safety pins detached) in his hands. Now, if each time he sees a giant like you, he rushes forward, grabs one of your legs and then releases the two grenades. You will die together with him in the most gruesome manner regardless of how well-prepared and well-armed you are! Thus, knowing involves a thorough understanding and analysis of the opposing side(s).

In fact, this is the strategy adopted by many terrorist bombers. For example, in the conflicts with Israel in March/April 2002, many Palestine suicide bombers, including women, killed themselves together with many of their victims. Thus, in dealing with these terrorists, it is necessary to know them thoroughly, including their motives, psychology, their moral cause, their sacrificial convictions, etc. before developing effective counter strategies. Simply going after them using sheer brutal force and military domination may not be sufficient. In sum, you may have all the superiority, but you will still face death if you do not understand the one-eye dwarf well enough.

Another analogy is that of the tragedy encountered in the attack on the World Trade Center and the Pentagon of the United States on 11 September 2001. Despite being the strongest and mightiest nation in the modern world, the Americans were shocked and rudely awakened by the senseless and mindless acts of some suicidal terrorists who care nothing about the lives of others. Clearly, the Americans and the rest of the world grossly underestimated the terrorists.

Like the enemies in war, competitors in business are dynamic and changing all the time. By focusing on the competitive forces, you will be “forced” to be more responsive, adaptive and flexible. In the process, the management of change and learning how to overcome changes will become an intrinsic part of your behavior and strategy development. This is what generals in war and senior executives are trained to do – to develop strategies that fit the enemies (competitors). In other words, the strategies to be used depend on the enemy, and not oneself. Unfortunately, in actual operations or competitive situations, many generals and senior executives fall short of their training!

There are other reasons to focus on the competitors (the other side) first rather than oneself. Through detailed analysis of the competitors, it is possible to win even if you are weak! This can be done by avoiding the strengths of the competitors. In fact, this was exactly what the Japanese manufacturers did in the 1950s and 1960s. After World War II, the Japanese
economy was in ruins, and its industries highly uncompetitive. It was simply not possible to compete head-on against the large Western business corporations. Instead, the Japanese manufacturers chose to focus on making products that Western manufacturers ignored. Thus, while these Western giants were strong in making the big models of cars, refrigerators, appliances, motorcycles, photocopiers, etc., they were weak in making the smaller models. In fact, in many cases, they ignored making the smaller and cheaper models completely. Sensing the opportunities, the Japanese manufacturers chose to focus on making smaller ranges of cars, motorcycles, refrigerators, photocopiers, appliances, etc. Here, it is important to point out that Japanese products were not only cheap but of inferior quality in the 1960s, and even in the early 1970s. However, as the competition was not strong in the market for the smaller range of products, the Japanese manufacturers were even able to build up their strengths over time.

Similarly, the Japanese manufacturers also went after markets which the large Western business corporations were weak in, or completely ignored. For example, the American manufacturers completely ignored the Southeast Asian market as well as many other Asian markets in the 1960s and 1970s. Instead, they chose to concentrate their strengths and efforts largely at home, and in the Canadian and European markets. Sensing the opportunities, the Japanese manufacturers decided to penetrate these Southeast Asian and other Asian markets with their cheap range of products as highlighted in the previous paragraph. As there were hardly any serious competition in the smaller products market, Japanese manufacturers were given ample time to build up their strengths. They were also able to improve their product quality substantially. Japanese products are now known for their superior quality that rival, and in many cases, even exceed the best that the Western manufacturers can offer. Not surprisingly, Japanese products are now able to command high prices!

2.4 Knowing Weather before Terrain

Along the same argument, Sun Zi focused on the need to analyze the weather first before the terrain. Again, there is profound logic to this. Like the enemies in war, weather is dynamic and changing. In contrast, terrain is relatively fixed and static. In fact, the terrain is likely to be known to both the enemy and oneself. This is because intelligence reports gathered during peace time would have provided all the detailed characteristics of the terrain. In general, they do not change drastically over a short period of time. On the other hand, weather is much more unpredictable. No two winters are alike. If anything, the weather has become more and more erratic these days and
they can affect drastically the characteristics of the terrain and the movement of troops. For example, excessive floods or snow caused by adverse weather can drastically affect the movement of troops and the deployment of strategies. In this sense, judgment of the right timing, which involves understanding of the weather, to wage a military campaign is very important. Weather is a factor that change more frequently and can have severe impact on the terrain too. Hence, it deserves more attention in terms of priority of analysis over terrain before one goes into battle.

This same logic applies to the conduct of business. Physical or infrastructural factors (the terrain factor in business) are not easy to duplicate overnight. Hence, they are quite static and are unlikely to pose any threat or opportunity in the short run. In contrast, the business climate can be created very quickly. For example, a country can enact laws and economic policies to attract foreign investment fairly quickly. This is particularly true in many Asian countries where their governments are very strong and face minimal opposition in changing the laws of the land. Some Asian countries are even known to copy and adapt the investment and economic policies of the more successful ones literally. However, when it comes to building the business infrastructure like high quality roads and highways, airports, harbors, warehouses, telecommunication facilities, etc., the process is definitely much longer and the challenge much harder. Indeed, one of the advantages enjoyed by economies like Singapore and Hong Kong is their strong business infrastructure which could not be easily duplicated.

Let me illustrate the different impact of weather and terrain with a slightly different perspective. As a result of the 1997 Asian economic crisis (changing business climate), the economic growth of many Asian economies were affected tremendously. There were severe loss of confidence among foreign investors and many of them pulled out. However, the infra-structural factors of these Asian economies did not change very much during this period – that is, the harbors, airports, railway systems, buildings, factories, etc. were relatively intact. On the other hand, when the twin towers of the World Trade Center in New York were destroyed by the terrorists on 11 September 2001, it will take the city many years to restore them, if ever possible, to the former glamour and vitality that these two landmarks represent. Business climate and confidence may have changed for the better since the collapse of the twin towers, but the business terrain of New York will never be the same without the twin towers.

In sum, deciding when to go into battle is very important. It involves making judgment about the right timing or climatic conditions to do so. This is because adverse weather (for example, heavy floods and severe snowfall)
can even affect the terrain, the movement of troops, and the deployment of strategies. Thus, analysis of the \textbf{weather} which involves judgment of timing is very much a \textbf{strategic} factor. For example, in the 2001 retaliation against the Taleban government in Afghanistan, the American army was aiming to complete the campaign as decisively as positively and to avoid the Ramadan period$^5$ of the Muslims and the cold winter. Similarly, \textit{choosing the battleground is also a strategic factor}. However, once a battleground is chosen, it becomes a fixed terrain. It now becomes an operational issue. Note that terrain does not change rapidly, but weather changes very quickly and it in turn can affect the terrain. Not surprisingly, therefore, Sun Zi advocated understanding of the changing and dynamic factor first before the unchanging and static factor. This is the same philosophical stance taken in the analysis of the enemy first before understanding oneself.

\section*{3. Rationalizing Differing Points of View}

Earlier, it was mentioned that the following saying by Sun Zi:

\begin{center}
\textit{知彼知己，胜乃不殆;}
\end{center}

\textit{zhi bi zhi ji sheng nai bu dai}

\textit{Know the other side (the enemy), know yourself, and your victory will not be threatened.}

\begin{center}
\textit{知天知地，胜乃不穷。}
\end{center}

\textit{zhi tian zhi di sheng nai bu qiong}

\textit{Know the weather, know the terrain, and your victories will be limitless.}

appear to contradict with that of another well-known Chinese philosopher, Mencius (\textit{Meng Zi 孟子}) who said:

\begin{center}
\textit{天时不如地利，地利不如人和。}
\end{center}

\textit{tian shi bu ru di li di li bu ru ren he}

\textit{The advantages gained from weather are inferior to those of terrain, and the advantages gained from terrain are inferior to those gained from winning the harmonious support of the people.}

This is because while Sun Zi and Mencius both emphasized understanding the human aspects -- know the other side, know yourself (\textit{zhi bi

\textsuperscript{5} This is the Muslim fasting month and lasted 30 days.}
versus the harmony gained from winning the hearts of people (*ren he* 人 和) -- as the most important factor, they differed in the order of importance given to weather and terrain. Sun Zi placed the importance of knowing weather over terrain, while Mencius gave more prominence to the importance of terrain over weather. This contradiction can easily be explained when one understands the context in which the sayings are applied.

In the case of Sun Zi, he was emphasizing the importance of prioritizing the order of analysis before going to war. In other words, the order of analysis before going to war is first, to analyze the other side before assessing oneself. This is then followed by understanding the weather before knowing the terrain. Clearly, when Sun Zi chose the word *bi* (彼), which means the other side, over that of *di* (敌), which means the enemy, he was referring to a pre-battle situation. As mentioned earlier, only when two troops go to war against each other would they be considered as enemies. Prior to battle, they are only opposing sides to each other. In fact, if the pre-war negotiation results in peace, they may even become strategic partners.

Even if the two opposing sides end up going to war against each other, it does not necessarily mean that they will be enemies for life. In the military realm, there is no such thing as a constant ally or a constant enemy. An ally today can become an enemy tomorrow, and an enemy today can become a staunch ally tomorrow. This is because the behavior of each state or army is very much driven by its own interest. In the quest for survival or prosperity, it would align its interest accordingly. In fact, it is common to find two arched enemies working together when they have to face more serious and greater threat, such as another stronger enemy or a life-threatening situation. Sun Zi clearly acknowledged when he said the following in his Chapter 11 on The Nine Battlegrounds (*jiu di* 九 地):

夫 吴人与越人相 恶 也,

It was said that the people and soldiers of the kingdoms of Wu and Yue hated each other tremendously.

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6 In ancient China, the kingdoms of Wu (吴) and Yue (越) were two of the most bitter enemies during the Spring Autumn Period (*chun qiu shi dai* 春 秋 时 代) which spanned from 770 B.C. to 476 B.C. Their intense hatred was brought about through years of war against one another. Yet, according to Sun Zi, when faced with a common and greater threat that affected their lives and destiny, they would be willing to cooperate. If this could be done, there is no reason why different parts, units, and divisions of the same army cannot achieve greater unity to secure victories in war. From this anecdote, there emerges a well-known Chinese saying that depicts cooperation between two arched rivals, called *Wu Yue Tong Zhou* (吴 越 同 舟) which literally
当 其 同 舟 而 济, 遇 风, 其 相 救 也 , 如 左 右 手。  

However, if they were placed on the same boat facing strong and threatening winds, they would cooperate and help each other like what the left hand will do to the right one.  

To reiterate, the sayings by Sun Zi refer to a situation before two opposing sides go to war against each other. In essence, it is at the analysis stage. On the other hand, once battle begins, the importance of mastering the characteristics of the terrain over rides that of knowing the weather. This is the essence of what Meng Zi (孟子) was advocating in his saying. In other words, his quotation refers to the implementation stage. Note that the human or people factor is ranked as the most important factor in both sayings regardless of whether it is before or after battle begins. It is the emphasis given to weather and terrain that has been reversed. Let me explain why this is the case.  

Before a battle is waged, knowing the weather will become crucial for determining what strategies should be employed in order to maximize the advantages that can be gained from the terrain. When battle begins, the weather becomes a common factor that will affect the enemy and oneself equally. Whether one party can gain a decisive edge over the other one will now depend more heavily on how the general can exploit the characteristics of the terrain. In other words, it would be the attention to details and operational issues on the battleground that will dominate the use of strategies once war begins. However, the human factor which includes the support of his troops and fellow men at home, and the local population in which he is conducting the battle, will remain the most important factor. For example, a general may have very loyal troops in the area in which he is conducting war. However, if his fellow citizens at home do not support his military campaign and if he faces stiff and strong resistance from the local population in which the war is waged, then the human factor (ren he yin su 人和 因 素) can be

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7 Clearly, this analogy was cited by Sun Zi as a further illustration that under adverse and life-threatening situations, the common external threat will serve to unite even the worst of two enemies. Thus, the unity and cohesion expected from troops from the same army when faced with similar common external threat will even be stronger and more effective.  

8 This is because if they chose not to help each other, they would be capsized by the storm and perished together. Sheer practicality and the quest for survival would dictate that they learn to cooperate each other first so as to get out of the crisis. In other words, the behavior of troops and people will change depending on the circumstances and situations concerned. According to Sun Zi, nothing is cast in stone nor impossible to change.
severely compromised. Even when the general managed to conquer the territory, the human factor will play a dominant part in affecting whether occupation can last. One only needs to point to the problems faced by Israel in its occupation of the West Bank to realize the significance of the human factor.

Take the example of soccer as illustrated earlier. There are definite advantages to play on home ground where the players are very familiar with the conditions and characteristics of the field (*di li yin su* 地利因素) as well as enjoy the vociferous support of the home fans (*ren he yin su* 人和因素) once the competition begins. However, before any match begins, the strategy to be employed depends heavily who the opposing team is and on the weather. The host team cannot afford to employ the same strategy for every game, regardless of the opponent. Rather, it must vary its strategy after understanding and analyzing the key players in the opposing team. Similarly, if it rains heavily, and the soccer pitch may end up with puddles and patches of water. The coach must be smart enough to analyze the impact of such changing climatic conditions on the strategy9 for the match. Nonetheless, once the match begins, the home team is likely to have an upper hand in understanding the characteristics of the pitch as compared to the visiting team. This is because it must have practiced and played on such similar ground conditions before while it may be the first time for the visitors. Thus, if the disparity of skills between the two teams is not large, the home team likely to enjoy greater advantage because of the *di li* (地利) and *ren he* (人和) factors.

This same analogy applies to the world of business. Before entering a market, a company must understand very well who are the customers that it intends to go after, and which of its competitors are also going after the same customers. It must then know when is the best time to enter the market. This includes knowing whether the market is ready for the product, and knowing the strengths and intensity of the competition. However, once the company has entered the market, then the ability to know and exploit the business terrain (*di li yin su* 地利因素) such as distribution channels, agency networks, various service support systems, etc) will become more important. This is because the same business conditions (the climate or weather) will apply to both the competitors and itself. Most importantly, the company must have the ability to win the loyalty of the customers, the support of its suppliers and other channel members, the media, the various potential lobby groups, the policy makers, the bankers and other financiers, etc. These are the human

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9 For example, it will favor the team who thrives on short passes and whose players are willing to take long lobs and kicks at the goal-keeper. In a water-logged field, long passes and dribbles are not preferred.
factors (*ren he yin su* 人 和 因 素) that will ensure its success in the market and prevent its competitors from gaining any advantage.

In sum, in the operational or implementation stage the focus should be more on the people and infra-structural factors. However, once a new challenge or situation arises, such as when a recession (business climate factor) hits the industry, the company must then go back to the drawing board again by analyzing how the human factors have changed\(^\text{10}\) and how the new business climate can affect sales\(^\text{11}\). Meanwhile, it is important to note that the infra-structural factors of the market will remain relatively unchanged and will have the least impact on sales. In this way, the company will be in a better position to weather the economic storm better.

4. Core Competence Revisited

Interestingly, many scholars and analysts have frequently argued that companies should focus heavily on developing their core competence (*he xin zhuan chang* 核 心 专 长). In fact, they go so far as to argue that companies should not even venture beyond their core competency. Thus, a lot of time and efforts are spent on understanding and enhancing the core competence of the company. Such an approach is actually correct but can be quite misleading. Let me explain.

Typically, a company develops its core competencies\(^\text{12}\) after doing a SWOT analysis that is similar to that advocated by Sun Zi. Unfortunately, the tendency is to take the list of core competencies as if they are gospel-truth and will not change over time. In my many speaking/consulting assignments, I have often encountered executives who would not hesitate to regurgitate their corporate core competencies to me when asked. However, when questioned about when they were arrived at and how did they know that those were still their core competencies, many could not give me a good reply. The fact is that competition and the business climate change very fast today, more

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\(^\text{10}\) For example, in a recession, there is a greater need to draw closer to the consumers so as not to lose their business, the support of the dealers, distributors, agents, banks etc. become even more critical. In addition, there is a greater need to study moves of competitors even closer, especially with regards to price-cutting behavior, etc.

\(^\text{11}\) In a recession, consumer and business confidence are adversely affected, causing a severe dip in the spending power. In particular, consumers may curtail and/or substitute the purchase of the products, banks and financial institutions may be more stringent with extending credit and financing, competitors may be more aggressive in price-cutting in order to maintain market share, etc. It is thus very important to track such trends and to take quick and if necessary, painful actions.

\(^\text{12}\) These would include knowing what the company is best at, its core corporate strengths, its unique model or approach of conducting business, etc.
Chow Hou Wee

so with the tremendous advance of technology. The core competencies that these corporate executives so confidently expounded may no longer hold true, or worst still, may end up as weaknesses.

The other danger I see when emphasizing on the importance of core competency, without realizing how it is arrived at, is that it tends to develop an inward-looking mentality among executives. In fact, it is tantamount to only knowing yourself only. Over time, these executives can be so hemmed in by the so-called strengths of the company that they forget that such strengths are never cast in stone but can change any time, especially when stronger competitors come to town or when the business environment changes. In the worst case scenario, they may even develop a very myopic approach of looking at the business without realizing that new and stronger competitors as well as niche players may emerge to threaten their traditional strengths.

As mentioned earlier, competition is based on relative rather than absolute strengths alone. Moreover, what is considered as a core competency in one particular area of business or market may not be strengths at all when faced with a new set of competitive forces and business environment. Let me illustrate with an actual case example using Dell Computers.

5. DELL Computers in Asia

In December 1997, I had the honor to address the top executives of Dell Computers in Texas, Austin. At that time, Dell was still not fully convinced about its strategy in Asia. In response to a number of questions from these top executives, I mentioned that to enter the Asian market, Dell Computers must re-examine its strategy. This is because the core competencies that Dell has developed in the United States would be greatly challenged in the Asian market. In the United States, Dell sells its personal computers (PCs) directly to customers by allowing the latter to place their orders through the internet. Payment can also be made electronically through the use of the credit card. In doing so, Dell is able to cut down inventories, eliminate the distributors, drastically reduce the delivery time, and eliminate bad debts! As a result, Dell has been able to price its PCs cheaper than those offered by its bigger rivals. More importantly, by allowing the customer to specify what he wants through the internet order, Dell is able to manufacture the PC to the exact requirement of the customer. In other words, by exploiting the capabilities of the internet and the knowledge of the customer, Dell has been able to
apply the mass customization strategy in the most effectively way\textsuperscript{13}. The successful strategy of Dell is premised on several very important assumptions. First, to order a computer through the internet, the consumer must have a computer in the first instance! To order Dell Computer way back in 1997, the consumer might even be using a rival brand computer to do so. In other words, in the United States, Dell was already operating in a matured PC market in 1997.

Second, when the consumer needs an internet account to order his next computer, he is already very knowledgeable and knows exactly what are needed in the computer. In other words, he is not a basic user of computers. Rather, he is an expert who is likely to be familiar with computer parts and features. As such, and this is the third important assumption, the brand name of the computer plays an insignificant part in the purchase decision. Instead, price, product specifications and features become more relevant. Finally to pay by credit card, the customer must have a credit card.

Unfortunately, as of late 1997, all these factors were almost absent in many Asian markets like China, India, and Indonesia. Even as of early 2001, most consumers in these markets do not even have their first credit card in early 2001. The majority of them has yet to own their first computers, and of course, do not expect them to have internet accounts. It is also not realistic to expect the average Asian consumer to specify what he wants for his PC. He simply does not have the knowledge to do so. In fact, the general level of education of the average Asian consumer is much lower.

There was another challenge facing Dell in Asia prior to 1998. Unlike in the United States where the consumers are well-informed and less brand-conscious, the Asian consumer relies heavily on the brand of the product as an indication of quality and reliability. This is where Dell was heavily handicapped when compared to the more established brands like Compaq, Hewlett Packard, IBM and Toshiba, all of which have strong head-starts in Asia. To the average consumer and corporate client, Dell was still a relatively unknown brand in Asia prior to 1998. In sum, the competitive environment in Asia is very different from that of the United States.

The strategy of Dell works best in a matured PC market like the United States where the consumers are highly knowledgeable and are looking for new and better PCs to replace their existing ones. The core competencies of

\textsuperscript{13} This strategy has served Dell computers very well. In December 1997, Dell Computers was doing about US$3 million daily through its internet sales. By 1998, Dell became the number one PC seller in the United States. As of early 1999, its daily sales through the internet was over US$10 million. This was again more than doubled by early 2001.
Dell of selling directly and exploiting the power of the internet are no longer strengths when it comes to marketing the PC in Asia. To succeed, Dell has to change its strategy, and rebuild new competencies! In sum, the consumers (and this is the *bi* (彼) factor for Dell) and the business environment (this is the *tian* (天) and *di* (地) factors) in Asia are very different from that of the United States.

Not surprisingly, Dell was very fast in grasping the importance of knowing the other side (*zhi bi* 知 彼) before knowing itself (*zhi ji* 知 己) and knowing the weather and terrain (*zhi tian zhi di* 知 天 知 地), and the need not to over-rely on its core competency in the United States. It is therefore very significant to note that with effect from early 1998, Dell embarked on an aggressive marketing campaign to promote its brand name in the major Asian cities through newspapers and other popular publications. Its advertisements carried detailed product specifications for each model of its computers (including notebooks), and provided only limited options for upgrading possibilities. The advertisements also emphasized the point that Dell was the second largest PC manufacturer in the world. To facilitate orders, it allowed orders through the telephone and fax. To enhance its product quality and image, it also provided strong service support and warranties. In China, it even had full service outlets and sales offices (distributors). Clearly, Dell has illustrated that it has very capable and enlightened leadership who understand the other side, the weather and terrain that includes the consumer, the competition, the market conditions, etc.

6. Concluding Remarks

In sum, Sun Zi advocated the need to analyze the uncontrollable, the dynamic, the external and changing factors first before analyzing the controllable, the static, the internal and unchanging factors. It is a logic that is actually very easy to understand. Those factors that change require different strategies and approaches to handle them. In other words, what have been applied previously may not work this time around as the circumstances and situations have changed. For those factors that change factors that change rapidly, drastic remedies and solutions may be called for. On the other hand, for those factors that hardly change, there is less need to adjust or change the

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14 Such an advertising format is one creative way to educate the consumers about the product specifications and features in a PC. Over time, the consumer will be able to enter the internet to order his next computer.

15 As of 2000, it was changed to the number one PC company in the world as Dell overtook Compaq for the lead position. This, however, might changed with the merger of Hewlett Packard and Compaq in early 2002.
strategy or approach to address it. In fact, at times, it may be better to stick to the same strategy or approach that has worked successfully in the past, especially when nothing significant has changed. It is like the common saying that, “when it is not broken, why fixed it?”

The need to focus on the external factors like the competitors and climatic issues has become even more important and urgent in light of the Asian economic crisis. Many Asian economies are fast realizing that these external and dynamic factors are not only very fluid, but they can change very quickly. To make matters worse, they are not controllable. However, this does not mean that nothing can be done about them. On the contrary, and according to Sun Zi, one should pay close attention to them and analyze them carefully and in great details. In this way, one can respond to their changes quicker and more decisively. Thus, I would add that, “Know your enemy, know the weather” would definitely increase the chances of winning more battles in war, and achieving excellence in business!