

## **ABOUT GOING TO WAR**

After we understand our strengths relative to the competition, the next step in Sun Tzu's system is determining whether or not we can financially benefit from expanding into new territory. In that light, this chapter examines the costs, risks, and benefits of "going to war."

We must understand the dynamics of competition. Can we control the scope of competition? Can we reduce its risks? If so, how?

For Sun Tzu, the first step is understanding the costs of action. How do we minimize our costs? Can we prevent costs from escalating?

In competition, the outcome is never certain. How should we respond to possibility of failure? Can we balance the risks and the rewards?

Most importantly, we must understand the nature of true victory. When we enter into war, what are we really trying to win?

These are all questions that Sun Tzu deals with in this chapter. Competition in the real world is more than a game. We are risking something. We must decide up front what those risks are and whether or not we are willing to undertake them. It is possible to "win" battles and even wars without gaining any reward worth the sacrifice. Foolish competitive battles can leave everyone a loser. Sun Tzu's system is not a method for punishing enemies or winning bragging rights. Its only goal is winning a prize at a cost that makes it worthwhile.

## Lesson 19

**When beginning competition, what is the most important issue you should consider?**

- A. Your goals.**
- B. The costs of competition.**
- C. How to secure an advantage.**
- D. How to undermine the competition.**

*Everything depends on your use of military philosophy.*

*Moving the army requires thousands of vehicles.*

*These vehicles must be loaded thousands of times.*

*The army must carry a huge supply of arms.*

*You need ten thousand acres of grain.*

*This results in internal and external shortages.*

**From *The Art of War***

Answer:

**B. The costs of competition.**

If we are going to compete, we first have to realize that our actions are going to cost us. Competition is always expensive.

Sun Tzu doesn't believe that success ever comes easily. He preaches against the idea of "get rich quickly." Only a little while ago, thousands of investors and business people were joining the gold rush on the Internet thinking that they could make a lot of money with very little costs. According to Sun Tzu, their thinking was simply wrong. Competition is *always* costly. People that expect to win easily can never win at all. If we want to succeed in any competitive market, we must understand the costs of competition and be willing to pay them.

We must consider these costs when we set our goals and pick our targets. Everyone's resources are limited, but some resources are more limited than others. We have to decide what we are willing to sacrifice for success. We can't do everything. We have to make choices. We can't let the cost of our decisions to compete surprise us. Overestimating our costs is safer than underestimating them.

## Lesson 20

**How can you undertake competition in a way that makes it inexpensive?**

- A. You limit competition to certain areas.**
- B. You limit competition to certain opponents.**
- C. You limit competition to certain issues.**
- D. You can't limit competition.**

*Any army consumes resources like an invader.*

*It uses up glue and paint for wood.*

*It requires armor for its vehicles.*

*People complain about the waste of a vast amount of metal.*

*It will set you back when you raise tens of thousands of troops.*

From *The Art of War*

Answer:

- D. You can't limit competition.

Once competition begins, it expands. This is exactly what we saw happening during the Internet boom. Competition is dynamic. If we think a market is ripe for exploitation, so will hundreds of others.

The contestants always escalate the contest. They may complain about the costs, but they also continually raise the stakes. We cannot make competition inexpensive. The only way that we can recoup our investment is to win a prize worth more than our investment.

People are endlessly inventive. As competitors, we are always looking for new forms of advantage. People steal each other's ideas and use them as the springboard for their own inventions. None of us knows what any of these ideas are worth until their value is proven in the marketplace. We cannot guarantee our success. Under competition, only the winners survive.

Once we are locked into a contest, we cannot accurately predict or limit the costs of competition. Instead, we must start with built-in cost-effective approach.

## Lesson 21

**Since competition is expensive, what is the best strategy to assure success?**

- A. Create the largest army.**
- B. Slowly add to your strength as you can afford it.**
- C. Move quickly and avoid direct confrontations.**
- D. Prepare for a long, expensive campaign.**

*Using a large army makes war very expensive to win.*

*Long delays create a dull army and sharp defeats.*

*Attacking enemy cities drains your forces.*

*Long campaigns that exhaust the nation's resources are wrong.*

*From The Art of War*

Answer:

- C. Move quickly and avoid direct confrontations.

Competition is more than fighting the good fight. We have to win something worth the fight in the end. If we spend more than we can ever win, we truly can't win. Most of the investors pouring money into the Internet market will never see a return on their investment. They are simply not weighing their costs against the likely gains.

If we hope to succeed, we have to keep our costs to a minimum. We can't control what our competitors do, but we can control what we do. We can keep our investment small by planning small wars. We can avoid direct attacks against entrenched positions. We can avoid long, drawn out confrontations.

In this stanza, Sun Tzu is telling us what doesn't work. The high cost of competition comes from making costly decisions. Risking a large investment does *not* assure our success. It makes success less likely. This is hard advice to follow. The natural reaction is to think that, in any contest, a bigger budget is always better. This is seldom the case. The bigger the cost, the harder it is to justify. Similarly, the longer it takes for a competitive thrust to generate a return on our investment, the more uncertain and dangerous that project is.

## Lesson 22

**How can you recover your position once you have lost the initiative in competition?**

- A. You can't recover the initiative in a situation once it is lost.**
- B. You only have to be smarter than your competition.**
- C. You must to be willing to invest everything you have.**
- D. You must be patient in looking for an advantage.**

*Manage a dull army.*

*You will suffer sharp defeats.*

*Drain your forces.*

*Your money will be used-up.*

*Your rivals multiply as your army collapses and they will begin against you.*

*It doesn't matter how smart you are.*

*You cannot get ahead by taking losses!*

**From *The Art of War***

Answer:

- A. You can't recover the initiative in a situation once it is lost.

The natural tendency is to think that we are smarter, better, or somehow more worthy than the competition. The reality is that we aren't. Once we have lost the initiative, we have little or no chance of winning a competitive battle.

We never know how much competition is coming. During the Internet boom, for example, all profit forecasts assumed a dominant market share. Unfortunately, the available financing created a growing number of competitors. This type of contest made everyone weaker instead of stronger. The increasing financial weakness of the contestants encouraged new competitors. Even the initial failure inspired more competition and makes eventual success, if any, that much more costly.

When we go into competition, we have to avoid losing the initiative. We must avoid falling behind because we cannot recover. We must seize the initiative. We must use it to discourage competition from coming after us.

## Lesson 23

### **How can you minimize the risks of competition?**

- A. You can avoid direct competition.**
- B. You can choose contests that are decided quickly.**
- C. You can limit your goals.**
- D. You can carefully pick your opponents.**

*You hear of people going to war too quickly.*

*Still, you won't see a skilled war that lasts a long time.*

*From The Art of War*

Answer:

- B. You can choose contests that are decided quickly.

Sun Tzu doesn't want us to be hasty in undertaking competition, but he wants us to act quickly. Speed is the essence of successful competition. One of the most basic reasons why speed is necessary is that it reduces the costs of competition.

What happens when a competitive contest drags on? The costs mount. The eventual payback grows more distant. Our strategy must be to generate profits as quickly as possible to stem the drain on the organization.

Failure is always possible, but it is easier to recover from a quick failure than a long, drawn-out one. Competition is dangerous and uncertain. Small, quick contests resulting in small losses are preferable to large, expensive "successes" that can't pay back their investment.

In business, we can never know if our "concept" will catch on. Will we fire the imagination of the fickle public? We must quickly test our concept in the market to see if it works. If our initial small attempt doesn't generate income, we should quickly regroup and try another approach. The Internet is a perfect medium for this "quick strike" test. Once an idea proves on a small scale that it can make money, we can start extending it by advertising and promotion. Ideally, it can generate the additional resources we need to build it up.

## Lesson 24

**Can a competition ever be at odds with the best interests of all contestants?**

- A. Competition can cost more than it ever returns.**
- B. Competition can hurt your opportunities for cooperation.**
- C. The competition can be lost.**
- D. Competition is always in the best interests of contestants.**

*You can fight a war for a long time or you can make your nation strong.*

*You can't do both.*

*From The Art of War*

Answer:

- A. Competition can cost more than it ever returns.

We cannot ever afford to lose sight of the purpose of competition. We compete for gain. We compete to win wealth, power, or recognition. Competition is costly. If the costs of competition outstrip the possible gains, we should not compete.

Sun Tzu points out that the most likely way to fail at competition is to continue investing in a form of competition that isn't working. According to his system, the longer a campaign is drawn out, the less likely it is to be successful.

This is a psychological issue. When we get embroiled in a contest, at some point we stop fighting for gain and begin to fight simply to win. Sun Tzu was terrified by this prospect. He knew that it was highly destructive. We should never fight just to win.

During the Internet boom, for example, too many companies became wedded to their initial concepts. After selling investors and partners, they went to market and discover that their wonderful idea just didn't pay off. Rather than trying something else, they are so psychologically invested in their idea that they couldn't find another direction. Instead, they kept at it until all their investors and resources were gone.

## Lesson 25

### **How do the risks of competition affect the rewards?**

- A. You must minimize the risks to maximize the rewards.**
- B. You must avoid the risks to assure the rewards.**
- C. You must embrace the risks to discover the rewards.**
- D. You must understand the risks to understand the rewards.**

*You can never totally understand all the dangers in using arms. Therefore, you can never totally understand the advantages in using arms either.*

**From *The Art of War***

Answer:

- C. You must embrace the risks to discover the rewards.

After all his warnings, Sun Tzu puts the dangers of competition into perspective. Competition is risky. We must appreciate exactly how risky it is. Nevertheless, competition is also the source of all success. If we don't embrace competition and its risks, we will never know how successful we could have been. How should we react to this dilemma?

We must always be aware that failure is a possibility, but we can't let this knowledge paralyze us. Instead, we must commit ourselves, remembering that speed is the essence of warfare.

We can never completely protect ourselves against failure. Don't try. The future is never certain, but the uncertainty of the future has an upside. The contest may turn out to be more rewarding than we can possibly foresee. The variables that make success uncertain also make great success possible *if* we take the chance.

We must prepare for unforeseen levels of success just like we prepare for failure. Both are possible. If we are ready for one, we must be equally ready for the other. "Going to war" in Sun Tzu's system is not about winning. It is about winning in a way that pays off. The problem is that neither the cost nor the payoff are predictable. We must never pretend that they are.

## Lesson 26

### How do you minimize the risks of competition?

- A. You must be always be willing to obtain more resources.**
- B. You must have more resources than you think you need.**
- C. You must stop worrying about profit and loss.**
- D. You must keep costs low and make the contest pay.**

*You want to make good use of war.*

*Do not raise troops repeatedly.*

*Do not carry too many supplies.*

*Choose to be useful to your nation.*

*Feed off the enemy.*

*Make your army carry only the provisions it needs.*

From *The Art of War*

Answer:

- D. You must keep costs low and make the contest pay.

Sun Tzu's approach to winning a competitive battle might be called "smaller, faster, better" using a term from modern management.

We win by being smart, by "making good use of war," that is, by using the competitive system that Sun Tzu teaches. We keep our investments small and on-going costs small. We act quickly, before competition can form against us. We "feed off the enemy," that is, we find a way to make success pay for itself.

To make this strategy work, we have to avoid getting bogged down. We don't build up large inventories, stockpiles of supplies, or resources that we don't need. We travel light, without encumbering ourselves with excess baggage. The less baggage we have, the more quickly we can move, and the faster we can respond.

We don't worry about winning. We worry about keeping costs low and quickly finding a payoff. We must be prepared to take what the competition gives us. We can't know beforehand what will work. We can put ourselves in a position to take advantage of whatever we find.

## Lesson 27

**How should geographic distance affect the selection of a contest?**

- A. You want to compete in the broadest arena possible.**
- B. You want to compete in an outside area that is close.**
- C. In the modern economy, all contests are global.**
- D. Distance should not matter.**

*The nation impoverishes itself shipping to troops that are far away.*

*Distant transportation is costly for hundreds of families.*

*Buying goods with the army nearby is also expensive.*

*These high prices also impoverish hundreds of families.*

*People quickly exhaust their resources supporting a military force.*

*Military forces consume a nation's wealth entirely.*

*War leaves households in the former heart of the nation with nothing.*

**From *The Art of War***

Answer:

- B. You want to compete in an outside area that is close.

Distance is the most basic “barrier to entry.” Even the smallest organization starts with the advantage of location. As long as we are the leader in our geographical area, we have the advantage of being local. This doesn’t mean, however, that we want to fight in our own backyard. We must keep a safe distance from the contest

Sun Tzu’s concern with distance was the costs. Today, we have the same concerns about the cost of transporting goods. Transportation is the one cost that works against retail sales on Internet.

The Internet makes national and global communication less expensive than traditional media. Nevertheless, distance still equals cost. National or international presence makes any initial mistakes more expensive and difficult to recover from than working in a small, local market. We should build businesses that start locally. We should wait until we have proven ourselves locally before going to more distant markets.

## Lesson 28

**All things being equal, what are your chances for success in a given attempt at competition?**

- A. You should expect to win all contests.**
- B. You should expect to win most contests.**
- C. You should expect to win a contest for every contest you lose.**
- D. You should prepare to lose most contests.**

*War destroys hundreds of families.*

*Out of every ten families, war leaves only seven.*

*War empties the government's storehouses.*

*Broken armies will get rid of their horses.*

*They will throw down their armor, helmets, and arrows.*

*They will lose their swords and shields.*

*They will leave their wagons without oxen.*

*War will consume sixty percent of everything you have.*

**From *The Art of War***

Answer:

- D. You should prepare to lose most contests.

This is reality. We are unrealistic if we expect most of our plans to succeed. Most of the ideas we try will fail. Eight out of ten new businesses go out of business within their first two years. Everyone should expect the failure rate for new areas, such as the Internet, to be even higher.

When we prepare for failure, we should expect just that. We should expect to lose our investment. We shouldn't delude ourselves into thinking that we can somehow recuperate our losses by selling off our inventory; finding a renter for our lease; and finding a buyer for our equipment. This isn't usually what happens. Failures are most of the time complete losses.

We prepare for losses by keeping our investment small and the contests quick. Small, quick, failed efforts are easier to sustain than large ones. They also move us more quickly to the successful efforts which are the only ones that count. One success can pay for many failures.

## Lesson 29

**Given the risk of failure, where should you find the resources to compete in a new area or market?**

- A. You should steal resources from your competition.**
- B. You should get financing from your investors.**
- C. You should get financing from your customers.**
- D. You should not expect to find any financing.**

*Because of this, the commander's duty is to feed off the enemy.*

From *The Art of War*

Answer:

- A. You should steal resources from your competition.

So many people starting a business want to know where to get financing for their business. They want to know about venture capital, bank loans, and investors. They think that if they just had the capital, their business idea would surely work. They think if they just knew where to find more capital, then success would surely follow. More investment makes success more certain, doesn't it?

Sun Tzu would have said that this is the wrong way to think about financing. In business, we compete not only for customers, but also for the resources to build our business. Sun Tzu would have said that the only way that we get financing is take it from our competition. In every competition, there is only one winner. If we don't take something, we leave it for the competition.

We can get resources from competitors in several different ways. We can take away their customers. We can take away their resellers. We can take away their investors. Anything that we can take from the competition makes our success more certain.

We are in a competitive struggle in every phase of business. Customers, resellers, and investors choose us because we offer them more than our competition offers.

## Lesson 30

### **What resources are the most valuable?**

- A. Those that you create for yourself.**
- B. Those that you take from the competition.**
- C. Those that you can protect.**
- D. Those that you can depend on.**

*Use a cup of the enemy's food.  
It is worth twenty of your own.  
Win a bushel of the enemy's feed.  
It is worth twenty of your own.*

**From *The Art of War***

Answer:

- B. Those that you take from the competition.

Business competition is complex. *All* the choices in the market impact each other. We don't necessarily know who our competitors are. We don't know what sales they win or when they lose. We can't see why people make the choices that they do—against us and for our competition. We know that we are in a competitive battle, but the direct opponent is often invisible.

Sun Tzu simplifies this picture. Everything that can be of benefit to us can also be of benefit to our competition. It doesn't matter who our competition is or where they are. If we do not win some benefit, we must assume that it goes to the competition.

In Internet competition, we compete for attention and the dollars of customers. We cannot know where else our prospects spend their time. We do know that if a prospect spends time and money with us, they are not spending those minutes and dollars with a competitor.

Though markets are not a zero sum game, it simplifies the contest to treat them as though they were. Anything we can steal from the competition must be celebrated. What we already have doesn't matter. Our goal must be to get more from the competition.

## Lesson 31

**How can you best manage the costs of competition so as to affect the outcome of the contest?**

- A. You must keep your expenditures low.**
- B. You must keep your opponents costs high.**
- C. You must invest only in what will return the investment.**
- D. You must focus on getting resources from the competition.**

*You can kill the enemy and frustrate him as well.*

*Take the enemy's strength from him by stealing away his supplies.*

*From The Art of War*

Answer:

- D. You must focus on getting resources from the competition.

Here we come to the heart of Sun Tzu's advice on managing the costs of competition. All the warnings about the risks of competition come down to this. We want to increase our resources while strangling the competition. The *best* way to do this is to take resources from our competition. For example, at Clearbridge, not only do we want bookstore to carry our *Art of War* books; we also want them to stop carrying the competition's versions.

Winning sales, distributors, employees, and investors from the competition defeats and discourages them. It weakens them for future competition. It is not good enough that we win sales, distributors, employees, and investors. Our competition must lose them.

For example, we can't make money giving away product. If, however, by giving away product, we starve our competition, we win a great deal. This was exactly the strategy that Microsoft used in competing with Netscape. Microsoft still doesn't get any income from its Internet Explorer, but that doesn't matter. It removed Netscape from the scene as a future opponent. We can see from this example that Sun Tzu is right. We can kill the competition by frustrating them. This is why resources taken from the competition are so much more valuable than those we generate on our own.

## Lesson 32

**Which competitive battles are the most important in determining your eventual success?**

- A. Contests for position.**
- B. Contests for dominance.**
- C. Contests for resources.**
- D. Contests for people's minds.**

*Fight for the enemy's supply wagons.*

*Capture their supplies by using overwhelming force.*

*Reward the first who capture them.*

*Then change their banners and flags.*

*Mix them in with your own to increase your supply line.*

*Keep your soldiers strong by providing for them.*

*This is what it means to beat the enemy while you grow more powerful.*

**From *The Art of War***

Answer:

- C. Contests for resources.

Position, dominance, and control of people's minds are extremely important in Sun Tzu's system of competition. However, these are not usually won through a competitive battle. Throughout *The Art of War*, Sun Tzu talks about attacking "places that opponents must defend." These places represent supply lines, sources of food and water, and any other resources necessary to winning a war. Our first plan of attack should be to take away our competition's resources.

Sun Tzu gives us this simple formula for attacking an opponent's resources. First, we identify the opponent's resources. Next, we find a resource that is lightly enough guarded that we can take it with overwhelming force. Then, we put together the effort to win it. When we have won it, we share the rewards with those who helped us in the process. Then, we add that resource to our own supplies. Finally, we advertise our victory. All of this weakens the enemy both physically and psychologically while making us stronger.

## Lesson 33

**What is the key to your ability to win the competition's resources?**

- A. Your knowledge.**
- B. Your strength.**
- C. Your leadership.**
- D. Your planning.**

*Make victory in war pay for itself.*

*Avoid expensive, long campaigns.*

*The military commander's knowledge is the key.*

*It determines if the civilian officials can govern.*

*It determines if nation's households are peaceful or a danger to the state.*

**From *The Art of War***

Answer:

- A. Your knowledge.

We see this theme repeated over and over again in Sun Tzu. Success comes from knowledge and information. We must know what resources are available. We must know which of them our competition has left unguarded. If we know this, we know exactly where we must target our efforts.

People starting a business want to know about how to win venture capital or how to borrow from a bank. They are usually looking in the wrong place for resources. Sources of investment capital are usually very difficult to win, or in Sun Tzu's terms, very strongly guarded. The easiest resources to win initially are usually dissatisfied customers and distribution channels. Most opponents take these resources too much for granted to protect them well. These are the resources that new businesses usually capture first.

On the Internet today, retail customer are won from traditional businesses because retailers have traditionally worried only about local competition. They don't know how to defend their customers against invisible Internet competition.