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SUN TZU, THE ART OF WAR AND ITS IMPLICATIONS IN INNOVATION AND TARGET MARKETING

The author presents the study of Sun Tzu, The Art of War (TAW), from the innovation and marketing perspectives, applied in general organization and firm framework. This study aims to examine the flexibility, variation of actions and innovation of TAW and its application to create situational and organizational advantages for organization (firm). The relationship between TAW and marketing is also discussed considering that there is very little literature establishing the link between the TAW and target marketing. This study provides a background for research on the combined effect of TAW, innovation, target marketing and their synergy to boost competitiveness of organizations (firms).

Keywords: "The Art of War"; strategy; marketing; competitors; entry to a new market.

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«МИСТЕЦТВО ВІЙНИ» СУНЬ ЦЗИ В ЗАСТОСУВАННІ ДО ІННОВАЦІЙНОГО ТА ТАРГЕТОВАНОГО МАРКЕТИНГУ

У статті розглянуто вчення Сунь Цзи «Мистецтво війни» з позиції інноваційного та маркетингового підходів до менеджменту організацій (фірм). Акцент у дослідженні зроблено на гнучкості, варіативності дій та інноваційності, а також на ситуативних та організаційних перевагах організацій (фірм). Продемонстровано зв'язок між мистецтвом ведення війни та таргетованим маркетингом. Синергетичний ефект від спільного застосування стародавнього вчення «Мистецтва війни» та інноваційного маркетингу здатен значно посилити конкурентоспроможність організацій (фірм).

Ключові слова: «Мистецтво війни»; стратегія; маркетинг; конкуренти; вихід на ринок.

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Мэнди Мок Ким Ман

«ИСКУССТВО ВОЙНЫ» СУНЬ ЦЗЫ В ПЕРЕЛОЖЕНИИ НА ИННОВАЦИОННЫЙ И ТАРГЕТИРОВАННЫЙ МАРКЕТИНГ

В статье рассмотрено учение Сунь Цзы «Искусство войны» с позиций инновационно- и маркетингового подходов к менеджменту организаций (фирм). Акцент в исследовании сделан на гибкости, вариативности действий и инновационности, а также на ситуативных и организационных преимуществах организации (фирмы). Продемонстрирована связь между искусством ведения войны и таргетированным маркетингом. Синергетический эффект от совместного применения древнего учения «Искусство войны» и инновационного маркетинга может значительно усилить конкурентоспособность организаций (фирм).

Ключевые слова: «Искусство войны»; стратегия; маркетинг; конкуренты; выход на рынок.

Introduction. Sun Tzu was believed to have written "The Art of War" (TAW) between 400 and 320 B. C. (Galbraith and Kazanjian, 1986). His work, the oldest and the most revered military classic known in Chinese literature, is the first known attempt to systematically formulate a rational basis for planning and conducting military operations. It comprises 13 chapters, each dealing with a different principle of warfare. Basically, these principles relate to tactics and strategies used in deliberating, planning, organizing, and executing warfare (Clearly, 1996). TAW had been studied in different areas, including strategic management (Rarick, 1996), leadership

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(Reichard and Johnson, 2011), marketing (Gagliardi, 2004), competitive advantages (Chang, 2004), organizational behavior (Ko, 2003), quality management (Gowrie, 2012), e-commerce (McCarthy, 2001) etc. Martin (2009) pointed out that employers' awareness of innovation plays an important role in achieving success. This was further supported by Foo (2011) who mentioned that to succeed, employers need to be innovative in competing with opponents, as written in TAW: "He who exercises no forethought but makes light of his opponents is sure to be captured by them" (Translated by Giles Lionel, 1910).

Sun Tzu's strategies and implications for innovativeness. Strategy is defined as a major action taken or planned by management of a business organization, considering its resources, skills and environment risks (Merigo, 2015). Innovativeness refers to the state of thinking to create something new, tangible or intangible, including new ideas (Crossan and Apaydin, 2010; Stanko et al., 2013). Both these two elements are important to organizations (David, 1999; Wheelen and Hunger, 1999; Stock and Reiferscheid, 2014). Firms use business strategy to outline the fundamental steps they plan to follow to accomplish objectives. At the same time, firms also need to react to environment changes according to a situation wisely and turn the situation to advantage, be innovative to solve situational contingencies. By practicing this, firms can generate more profits, improve marketing and sales, objectives related to workforce such as efficiency, motivation, as well as improving corporate responsibility.

In "The Art of War" Sun Tzu, devotes one full chapter to varying tactics according to circumstances (Chapter 8). Other chapters on strategies reflect clear themes about unorthodoxy and surprise, and varying tactics according to circumstances. He mentioned that the principle to win is "know yourself and know your enemy, you can win thousands battles". He further explained that to ensure winning the war within 3 battles, the soldiers and the enemy should be classified into 3 categories, they are the best, middle and weak. The best soldiers should be placed to fight with the middle class enemies, the middle class soldiers fight with weak enemies and weak soldiers against the best enemies. This situation gives a "sure win" for at least two battles out of three battles in a war. The same situation could also be applied in firms when dealing with price war, product substitution, penetrating markets or attracting new customers. For example, when sales department faces competitors selling a product below the market price, the sales manager can divide products into different categories which can further compete with others by lowering prices. For just launched products it is probably more suitable to lower their price to compete with competitors rather than cutting price for their own quality products which had gain high reputation among customers against competitors. This situation shows that innovativeness and flexibility in handling contingencies will always turn the situation to one's advantage if he/she is alert for changes, reacts fast, is able to take risk and capable. This is further supported by Vlado et al. (2011) study indicating that Sun Tzu proposes flexibility, innovation and variation of actions, as well as the leaders' ability to create and leverage situational advantages.

Successful target marketing. The wisdom of TAW is now being examined and used in many areas of human activity, such as politics, business, management and marketing. Lord (2000: 304) credited Sun Tzu for "anticipating the information-oriented strategic approach of the contemporary revolution in military affairs", not only

in military affairs, but also in business and management (Vlado, 2011). Accuracy, quality and completeness of information and analysis before the actual actions taken are among the most important factors to determine success of a mission or strategy, including successful target marketing.

Successful target marketing involves the examination of 3 key strategic dimensions, namely, the ease of entry, reversibility, and fit. These 3 strategic areas, separately or combined, help define a choice set of markets (battlegrounds) for firms. Different markets (battlegrounds) call for different strategies, as expounded by Sun Tzu. Moreover, different strategies require different levels and types (which may or may not be resource-based) of firms commitment. By matching special features of firms with markets feature (battlegrounds, including the strategies required), the author derives 3 propositions on successful target marketing and market penetration strategies for firms.

Although earlier studies on Sun Tzu's TAW identified the market selection pattern, market specialization and segment concentration (Guiltingan et al., 1997), previous research had ignored the guidelines to determine appropriate target markets and how to penetrate into these new markets with their current own resources and limitations encountered.

In this conceptual paper, the author proposes that various types of battlegrounds as discussed in TAW can be classified using 3 strategic dimensions. These are the ease of entry, reversibility and fit. Each of these markets is analogous to a specific type of battleground described in TAW. Appropriate market penetration strategies are generated to suit for different situations as proposed in this paper.

Types of target markets. The strategic dimensions of ease of entry, reversibility, and fit can be used, separately or in combination, to describe different types of target markets. Markets that are easy to penetrate are often non-special markets with low asset specificity (Williamson, 1985). The examples of such markets include retail markets in general consumer products like food, toiletries, and garments. However, there are also easily penetrable markets with high asset specificity such as hotels and labour intensive manufacturing operations. These are battlegrounds equally accessible to all parties. In target marketing, this would refer to markets that are easily accessible to both firms and their competitors (Wee et al., 1991).

Markets which are not easy to enter but have high reversibility are similar to "Frontier Ground" in TAW. On this battleground, as it is easy to retreat the army thinks nothing about deserting the battleground, and hence, jeopardizing the expedition which is under way. In target marketing, this refers to markets with high entry barriers. It requires a lot of time and effort to penetrate. For example, government protects its automobile industry ensuring that foreign automobile manufacturers do not threaten their markets.

The last type of target market is the market which is both fit for a firm and its competitors. This is because such markets (battlegrounds) are equally advantageous for the firm itself and the enemy to occupy. Firm and its enemy (competitors) will fight against each other to penetrate (conquer) this market.

Propositions. For the above different types of target markets, the author proposes different strategies.

Proposition 1: To succeed at markets that are easy to enter and exit, the firm must be the first mover and be able to preempt competition by erecting entry barriers.

Firms need to be selective in erecting barriers because not all known forms of entry barriers are applicable. For example, creating entry barriers through the economies of scale requires substantial sales volume. On the other hand, it would be more feasible for the firm to maximize its first-mover advantage to build consumer franchise for its product as a form of entry barrier.

In this type of ground (market), Sun Tzu conceived that continuous flow of provisions is important since the army has now venture deep into hostile territory. Thus, for markets which are easy to enter and exit, a high commitment strategy is needed. Continual investments in terms of resources help firm maintain its competitive position and discourage further entries.

Proposition 2: For markets not easy to enter or exit, the firm should adopt a market niching strategy and preempt against future competition.

Markets that are not easy to enter or exit can be treated here as "Key Ground". According to Sun Tzu, the army must not attack the enemy within "Key Ground" as both forces are equally strong making a direct challenge not advantageous. Instead, Sun Tzu prescribed that one must hasten up one's rear elements (Griffith, 1963). In marketing, this means that the firm operating in a market in which both the firm and its rivals have good market-company fit should avoid direct competition. Instead the firm should consolidate its resources and direct its efforts towards creating competitive advantages. This competitive advantage can be achieved through product differentiation and niching (Porter, 1980). Competitive advantages achieved will allow the firm entrench itself and/or compete more effectively at a market.

Proposition 3: For markets in which the firm and its rivals have good market-company fit, the firm should direct its efforts towards creating competitive advantages.

In business world, there are some markets at which the firm should not make the first move. Rather, the firm should allow its rivals create and build up market demand. Only when the market is sufficiently well developed, should the firm enter and "free-ride" on the market development efforts of its rivals. By not making the first move, the firm gives its rivals the false sense of security. This allows the firm thrive in an otherwise unfavorable market which has poor market-company fit, without having to incur substantial resources to develop and expand the market.

The similar situation as Sun Tzu advised is when the army is operating in such ground (both parties have the winning potential), it should resist making the first move. Instead, it should use deception to confuse the enemy. For example, the army can pretend to retreat, thus causing its enemy be lulled into a false sense of security. This will create an opportunity for the army to make a successful strike.

For each of the battlegrounds identified in TAW, Sun Tzu prescribed different strategies for warfare. These prescriptions form the basis for these propositions that a firm can use in its selections and evaluation of target markets, as well as in its devise of appropriate market penetration strategies.

Discussions and conclusions. The contribution of firms and organizations in business world to economics growth in a country should not be ignored. Research had shown that innovation is one of the success factors (Ricarda et al., 2015). By studying

indepth TAW we can see that the elements of flexibility, innovation, variation, contingencies and leadership are incorporated in Sun Tzu's principles and strategies. It has become increasingly evident that firms can use the Sun Tzu's strategies on market targeting and penetration strategies. Liberalization and globalization have created all sorts of opportunities for businesses to expand their sales, lower their costs, as well as boost profits. At the same time, global business systems also created challenges and threats that yesterday's firms hadn't faced before. For example, the need for market and production expansion, the facilitation of resources acquisition, competitive forces, e-commerce and constant technological changes (IT, Internet etc.).

More empirical research is suggested to explore the aspects related to causal effects, application and implications of TAW and influences of Sun Tzu's theories in firm's management, performance, marketing and administration and how do these elements encourage innovative culture in firms to enhance their competitive advantages. Additionally, ethical issues encountered when dealing in business world, for example, cut off competitors, unethical information seeking and dumping are becoming more salient as firms are facing greater globalization and liberalization. Sun Tzu indicated that the statement "war is a game of deception" (Chapter 1) needs to be reconsidered, whether one can behave unethically in order to win the game? To what extent one should not behave beyond the limitation and border?

In summary, more empirical grounded research is needed in the adoption and adaptation of Sun Tzu's strategies to suit global changes and to provide a more comprehensive understanding in the academic world.

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