The Wisdom of Two Sages

----A Strategic Advertising and Marketing Model That Combines Sun Tzu and Confucius

by

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Published in


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I. Introduction

Sun Tzu was a great military strategist and gifted marshal of 506 BC China. He wrote the oldest and most respected military strategy book--*Art of War*--around 2,500 years ago, much earlier than another warfare masterpiece--*On War*--written by Prussian general Karl Von Clausewitz in 1832 (Handel, 1992). Sun Tzu supported the King of Wu, who put his army under Sun Tzu’s command. *Shih Chi*--the first authentic history almanac--summarized Sun Tzu’s achievements this way: “to the West the king defeated the powerful state of Ch’u and advanced into Ying. To the North the King overawed Ch’i and Chin and manifested his name among the feudal lords. This was due to Sun Tzu imparting power to him.”

The 13 Chapters in *Art of War* are entitled: Initial Estimations, Waging War, Planning Offensives, Military Disposition, Strategic Military Power, Vacuity and Substance, Military Combat, Nine Changes, Maneuvering the Army, Configurations of Terrain, Nine Terrains, Incendiary Attacks, and Employing Spies. Chinese military leaders after Sun Tzu regarded studying these chapters a must. Ho and Choi (1997) observed that “numerous warfare successes have been achieved by those who followed his (Sun Tzu’s) strategies.”

Sun Tzu’s influence was not limited to China, but also spread to other Asian countries. For example, Japanese leaders studied Sonshi--the Japanese term for Sun Tzu--since AD 700 (Goldenberg, 1997). Western generals also studied *Art of War*. Rarick (1996) asserted that Napoleon used Sun Tzu’s advice to defeat the armies of Europe.
Today, though technology and weapons have changed, Sun Tzu’s strategies are still used in modern battles (McNeilly 1996).

Sun Tzu’s military strategies have also been applied to business, especially advertising and marketing. The Chinese saying “the marketplace is a battlefield” (Tung, 1994) best reflects the use of military principles in competition. Although applying Sun Tzu’s strategies to business is not a new invention—Chinese businessmen have relied on _Art of War_ since 400 BC—the amount of discussion today is indeed unprecedented.

Applications of _Art of War_ to advertising and marketing can be roughly classified into four categories:

- **Direct translation:** One kind of translation is from ancient Chinese to contemporary Chinese, sometimes in cartoon form such as in _Sun Tzu Said_, by Tsai Chih Chung (Sept. 1990). The other is from ancient Chinese to modern English. The most standard translation was by retired Marine Brigadier General Samuel B. Griffith as part of his 1960 Oxford University doctoral dissertation. This translation was regarded as the most privileged one until J. H. Huang’s _Sun Tzu: The New Translation_ appeared in 1993. But no matter how accurate and vivid those translations are, they haven’t fully explored the spirit of _Art of War_ in business applications (Goldenberg 1997).

- **Interpretation with examples:** These are mainly reorganizations of the 13 chapters under different headings—such as strategic management, human resource management and information management—to match modern business practices (Cheung, 1990). Some writers, including McNeilly (1996), have abstracted the most important military
instruction examples from Sun Tzu, offering real-world business and even military applications.

- Business packages developed through Sun Tzu’s strategies: Authors of these packages developed their own tools to give step-by-step instructions for accomplishing success in advertising and marketing campaigns. Some but not all of them take the similarities and differences between war and business into account (Yuan, 1991).

- “Winning models” evolved from Art of War: These studies compared Western advertising and marketing strategies with Art of War and then designed models for applying Sun Tzu’s thinking to commercial mass communication.

We regard the last category as the most important. A representative work in this category is “Achieving Marketing Success Through Sun Tze’s Art of Warfare” by Samuel K. Ho and Amy S.F. Choi (1997). They used Huge Davidson’s (1987) acronym POISE (profitable, offensive, integrated, strategic and effectively executed) to analyze the similarities and differences between Western business practices and Eastern warfare. Based mainly on the Art of War, with some minor modification, Ho and Choi (1997) proposed a “Winning model” to provide “effective guidelines on the deployment of the Sun Tze Art of War in business.” We will discuss this model in more detail later.

Though war is still a favorite metaphor, changes have occurred in marketing. Marketers now recognize the importance of establishing long-term cooperative relationships with direct competitors--their once opponents. Examples can easily be found in the computer and semiconductor industries. Today, IBM, Apple, and Motorola collaborate to spread the risk of new technology development and establish broad-based industry standards. In these and many other industries, the rising cost of new product
development makes information sharing and joint research and development a necessity. Therefore, a more modern metaphor is needed.

In “Marketing as Warfare: Reassessing a Dominant Metaphor,” Rindfleisch (1996) said, “although this marketing-as-warfare metaphor may be widely held, it is based on a set of fundamental assumptions about the nature of competitive interaction that are largely incongruent with present-day environmental realities.” While many commentators still explore the value of Sun Tzu’s strategy, Sun Tzu himself would probably urge that it is time for marketers to question the appropriateness of the war analogy. As Rindfleish (1996) said, “considering the conceptual limitations of the marketing-as-warfare metaphor, strategists are faced with the need for alternative metaphorical perspectives in which to frame their strategic marketing world views.”

In our view, merely to deny the profound meaning of the warfare metaphor is to lose sight of a prominent aspect of business. We therefore propose a new framework to supplement and complement the current metaphor—a combination of Sun Tzu’s strategy with some key ideas drawn from modern Confucianism. We first examine Ho and Choi’s (1997) “Winning Model” in some detail. We then show how this model can be modernized.

II. “Ho and Choi’s Winning Model”

Ho and Choi’s (1997) “Winning model” is divided into an “outer ring” and an “inside chain.”
Figure #1. Winning Model Based on Sun Tzu

The Outer Ring

The “outer ring” of the “Winning model” is linked to daily operations. It consists of three parts: Analysis of Situations, Comparison Checklist, and Business Information Systems.

1. Analysis of Situations

Whether in military warfare or marketing competition, discerning analyses of “the external and internal environment are always essential steps before laying down a detailed plan” (Ho and Choi, 1997). In Chapter III: Planning Offensive, Sun Tzu said:

Know the enemy and know yourself; in a hundred battles you will never be in peril. When you are ignorant of the enemy but know yourself, your chances of winning or losing are equal. If ignorant both of your enemy and of yourself, you are certain in every battle to be in peril (Griffith, 1960).

Applied to marketing competition, this advice means that one must know both competitors and oneself before engagement.
2. Comparison Checklist

To organize this knowledge, Sun Tzu asked military leaders to study “five factors”--
Tao, Heaven, Earth, Generals, and Law:

The Tao causes the people to be fully in accord with the ruler, thus they will die with
him; they will live with him and not fear danger. Heaven encompasses yin and yang,
cold and heat, and the constraints of the seasons. Earth encompasses far or near,
difficult or easy, expansive or confined, fatal or tenable terrain. The general
encompasses wisdom, credibility, benevolence, courage and strictness. The laws for
military organization and discipline encompass organization and regulation, the Tao of
command, and the management of logistics (Sawyer, 1996)

With minor modification, these “five factors” can be translated into a checklist and
evaluation tool for waging marketing warfare:

- [ ] Tao--efficient human resource management and campaign development
- [ ] Heaven--business climate and the right timing to proceed with combat
- [ ] Earth--marketing environment, including government policy and competitors’ strengths
  and weaknesses.
- [ ] General--management’s internal structure, professional knowledge, capability and
  reputation.
- [ ] Law--organizational regulation, and financial management systems

  Sun Tzu organized these factors in “seven dimensions”:
  Which ruler has the Tao?
  Which general has greater ability?
  Who has gained the advantages of Heaven and Earth?
  Whose law and orders are more thoroughly implemented?
  Whose forces are stronger?
  Whose officers and troops are better trained?
  Whose rewards and punishments are clearer?
From these I will know victory and defeat (Sawyer, 1994).

Ho and Choi (1997) suggested that strategists use this list to allocate a score for each dimension. Based on this suggestion, we propose the following self-evaluation list, where the marketer assigns a 1 to 10 “own score” and “competitor’s score”—for each major competitor—on each dimension.

**Table #1: Seven Dimensions**

<table>
<thead>
<tr>
<th>Own Scores</th>
<th>Seven Dimensions</th>
<th>Competitor’s Scores</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. Whose marketing/advertising plan will be recognized and accepted by all employees?</td>
<td>________</td>
</tr>
<tr>
<td></td>
<td>2. Whose creative directors are more capable?</td>
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<tr>
<td></td>
<td>3. Who can schedule marketing/advertising timing most effectively?</td>
<td>________</td>
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<tr>
<td></td>
<td>4. Whose marketing objectives and strategies are more thoroughly targeted and implemented?</td>
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<tr>
<td></td>
<td>5. Who has stronger manufacturing ability?</td>
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</tr>
<tr>
<td></td>
<td>6. Whose sales force is better trained?</td>
<td>________</td>
</tr>
<tr>
<td></td>
<td>7. Whose rewards and punishments are clearer for personal selling and operations?</td>
<td>________</td>
</tr>
<tr>
<td>Total Own Scores</td>
<td>Total Competitor’s Scores</td>
<td></td>
</tr>
<tr>
<td>Source: Based on Ho and Choi (1997)</td>
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These dimensions can identify advantages and disadvantages, show whether the overall environment is favorable or not, help marketers decide whether to launch a campaign, and estimate which strategies will win. According to Sun Tzu, if one has more advantages than disadvantages compared with the enemy, offensive planning is a sensible
choice; otherwise, defensive planning is suitable. In chapter III: Planning Offensives, Sun Tzu gave more suggestions on how to proceed with this evaluation:

In general, the strategy for employing the military is this: If your strength is ten times theirs, surround them; if five, then attack them; if double, then divide your forces. If you are equal in strength to the enemy, you can engage him. If fewer, you can circumvent him. If outmatched, you can avoid him. Thus a small enemy that acts inflexibly will become the captives of a large enemy (Sawyer, 1994).

3. Strategic Information Systems

Planners need well organized systems to obtain strategic information (Wrapp 1967). Strategic information systems contain three kinds of information: 1. internal information; 2. consumers’ attitudes and practices; 3. competitors’ strength and weakness. The first two kinds of information can be obtained by organizational self-evaluation and consumer research. The third kind--information about competitors--is most valuable yet most difficult to get. The situation is the same in warfare. Sometimes information about enemies is crucial. That’s what spies are for. Therefore, Sun Tzu devoted all of chapter XIII, Employing Spies, to this topic.

Because military warfare differs from marketing competition, Ho and Choi (1997) noted that “it is up to the organization itself to decide whether it should engage in this or not.” However, even without employing spies in the literal sense, advertisers and marketers can do much to learn about competitors’ strength and weaknesses, purposes and interests. For instance, they can monitor competitors’ test markets, evaluate placement and content of competitors’ advertising, and gauge consumer and trade reactions to sales promotion and public relations campaigns. Intelligence of this kind allows both prompt response and long-range consideration.
The Inside Chain

The “inside chain” of Ho and Choi’s (1997) “Winning model” deals with the formation of the particular winning strategy. Since Sun Tzu did not mention the sequence of formulating strategy, Ho and Choi (1997) adopted the inside chain from Western strategy formulation framework instead. Their inside chain consists of six links:

Figure #1. Winning Model--Inside Chain

We will comment on some of the links later, but before that, we emphasize the most important principle retrieved from the Art of War: **Flexibility.** In business as well as war, actions are most effective when planned according to the strategic situation. In Chapter IV, Military Disposition, Sun Tzu said:
Those who excel at defense bury themselves away below the lowest depths of Earth. Those who excel at offense move from above the greatest heights of Heaven. Thus they are able to preserve themselves and attain complete victory (Sawyer, 1994).

Here is a classic example of flexibility: When Seven-Up decided to enter the “Cola War,” they understood that their fledging strength was not suitable for head-to-head combat with Coca-Cola and Pepsi. Hence, they evaded direct engagement. In 1968, they positioned their lemon-lime beverage as “the Uncola.” “The strategy was to make 7-Up the alternative to Coke and Pepsi. Sales went up 15 percent the first year” (Ries and Trout, 1986).

A more contemporary example can be found in the “Greater China” market (Frith 1996). When Singapore company Eu Yan Sang faced stagnation in their customer base, they brought traditional Chinese medicines into the modern age, blending old and new by selling ancient herbal remedies to the younger generation using modern packaging and marketing techniques. This flexibility doubled their sales in Singapore (McGrath, 1995).

According to Sun Tzu, flexibility can be either orthodox or unorthodox—that is, normal or unexpected. When all the competitors are using orthodox strategy, launching an attack with unorthodox strategy can achieve surprisingly successful effects. As Sun Tzu noted in Chapter V, Strategy Military Power:

What enable the masses of the Three Armies invariably to withstand the enemy without being defeated are the unorthodox and orthodox...In general, in battle one engages with the orthodox and gains victory through the unorthodox (Sawyer, 1994).

In the “Burger Wars,” McDonald’s had all the strength of the “orthodox”—“Uniformity, instant delivery, and inexpensiveness.” In this sense, McDonald’s defense appeared to be seamless. According to Sun Tzu, when all your competitors are
“orthodox,” “unorthodox” will be effective. Burger King ambushed McDonald’s with “Have it your way”—this campaign showed that Burger King was created for every specific customer, then “Broiling Vs. Frying”—in response to the trend toward health consciousness (Ries and Trout, 1986). Hence, flexibly applying the unorthodox shaped a stronger Burger King in the battlefield.

Subsequently, Taco Bell attacked both McDonald’s and Burger King by using an until-then unorthodox pricing strategy. Armed with the knowledge that McDonald’s and Burger King’s prices had been increasing steadily, and that consumers resented food price inflation, Taco Bell embarked on a low-price strategy that took a significant share of the fast food business from its rivals. This strategy was based on all three types of marketing intelligence: 1. Knowledge that competitors’ prices has been increasing dramatically. 2. Knowledge that consumers were resisting these increases. 3. Self-knowledge—knowledge that the lower cost of Taco Bell ingredients would produce a profit even at lower price points. Taco Bell’s “99 c” campaign, based on its then-unorthodox pricing strategy, changed the competitive landscape and forced both McDonald’s and Burger King to revise their practices.

Similarly, unorthodox advertising gained a substantial advantage for the Hong Kong Tourist Association. In spite of common anxiety during the 1997 transfer of sovereignty, its “Hong Kong—Wonders Never Cease” campaign cheerfully addressed the transition through an integrated framework that included mass media and Internet advertising, public relations, merchandising, direct mail and customer service. In this campaign, a potential liability—anxiety over the transition—was converted into an asset by emphasizing the preciousness of the opportunity to witness the event.
The success of Mao-Tai---a famous Chinese alcohol also relied on an unorthodox promotion strategy. In the International Liquor Exhibition, nobody even took a look at Mao-Tai because of its poor packing. In view of this, the Chinese delegates broke a bottle of Mao-Tai on purpose. The aroma attracted a large audience, and from then on, Mao-Tai became well-known globally (Luo 1994).

A marketing strategist must combine ordinary strategies with creative ones, so as to develop infinite methods to win customers. In *Art of War*, Sun Tzu used musical notes, colors and flavors to portray the transition and development of orthodox and unorthodox:

The musical notes are only five in number but their melodies are so numerous that one cannot hear them all. The primary colors are only five in number but their combinations are so infinite that one cannot visualize them all. The flavors are only five in number but their blends are so various that one cannot taste them all. In battle there are only orthodox and unorthodox forces, but their combinations are limitless; none can comprehend them all. For these two forces are mutually reproductive; their interaction as endless as that of interlocked rings. Who can determine where one ends and the other begins? (Griffith, 1960)

Coca-Cola recently undertook a “secret and unorthodox” study that solicited advice from “ten unconventional thinkers” including Peter Drucker, Ted Levitt, and Arthur Nielsen in an attempt to reorient its advertising. Brainstorming from spring 1992 through October, this team devised over 100 ideas for the 1993 global campaign, finally winnowing the list to 24. When the campaign was unveiled in 1992, it was praised as “innovative, sexy, playful and breathtaking” and was rated tops among all campaigns by consumers (Sellers, 1993).

In Singapore, Saatchi & Saatchi won the Agency of the Year title for its unorthodox advertising for Singapore’s navy. Unlike the usual seriousness in military ads with the
theme of fighting for country, a humorous 60-second TV spot proved to be a “tremendous” success in both raising public awareness and increasing interest in enlistment. This ad began by “looking and sounding like a trailer for an action thriller. A submarine commander oversees a tense control room as it approaches an enemy ship. The periscope goes up, and the viewer looks for the sub’s antagonist, expecting to see a battleship menacing nearby. Instead, floating on the water is a large yellow duck, followed by a shot of the ‘commander’ reclining in his bathtub as he plays with a toy submarine and a plastic rubber duck. ‘Prepare to board,’ says the happy daydreamer of life in the navy” (Madden 1998).

Flexibility requires the leader to avoid the strength and attack the weakness of opponents. Sun Tzu used water to describe this point vividly:

When I have won a victory I do not repeat my tactics but respond to circumstances in an infinite variety of ways. Now an army may be likened to water, for just as flowing water avoids the heights and hastens to the lowlands, so an army avoids strength (the substantial) and strikes weakness (the vacuous). And as water shapes its flow in accordance with the ground, so an army managers its victory in accordance with the situation of the enemy. And as water has no constant form, there are in war no constant conditions (Graffith, 1960).

In advertising and marketing, one can replicate this military approach and create a situation where the company’s strengths “are applied against the competitor’s weaknesses” (McNeilly, 1996) by finding the weakest part of the opponent’s value chain and attacking it—as Taco Bell did in its price campaign.

Sun Tzu advises, if there are several competitors, isolate and attack them one at a time. This was Wal-Mart’s strategy against Sears, Kmart and other large retailers. Instead of directly attacking its competitors in major markets, Wal-Mart used its huge buying power
to overwhelm opponents one by one in small towns, thus “attack the enemy where he did not expect it” (McNeilly, 1996).

Last, but not least, in response of the current debate on whether advertising and marketing strategists should settle on standardization/generalization or specialization/customization when globalizing a business, Sun Tzu’s emphasis on flexibility can be translated as “Global Tastes, Local Trimmings” (Holburt 1996). That is, utilize standardization/generalization to build global brands with clear and consistent equity, while allowing room for local tailoring (Wehling 1998).

III. Combining the Wisdom of Two Sages

We now turn to a discussion of how modern Confucianism can supplement Sun Tzu’s military ideas. Confucius, the most important scholar of China, lived five hundred years before Christ and preceded Socrates, Plato, and Aristotle. He derived his ethical principles from the study of the ancients and from realistic observations of human needs and passions (Rogers, 1993). Though Confucius and Sun Tzu lived in almost the same era, they are seldom mentioned together, let alone combined. One possible explanation is that Sun Tzu’s strategy is strictly military while Confucianism is “part religion, part ethical code, part social ritual and part political philosophy” (Tu 1995).

Unlike Sun Tzu, Confucius was not appreciated much when he was alive. “It was more than 300 years after his death before his philosophy found acceptance. The fifth Han Emperor, Wu (147 BC) found Confucianism well suited to the conditions of ancient China” (Jacobs, Gao and Herbig, 1995). From then on, Confucianism became the
dominant ideology in China. Tung Chung-shu—a famous Confucian scholar in AD 134—proposed the banning of all schools of thought except the Confucian school and further established the Confucius patriarchal hegemony: rulers guide subjects, fathers guide sons, and husbands guide wives. Hence, Confucianism was esteemed and promoted by the emperors in the next 2,000 years. Dynasties changed from time to time, but not the hegemony of Confucianism, which ensured the emperors’ supreme command in China from about 150 BC until the beginning of this century.

In spite of this successful record, Confucianism was not always trouble-free. In China, it was criticized during the 1911 revolution and again during the socialist revolution of 1949 when feudalism was overturned (Jacobs, Gao, and Herbig, 1995). In the cultural revolution, the Anti-Lin, Anti-Confucius Campaign of 1974-1975 denounced Confucianism as the evil root of feudalism and women’s oppression (Groll, 1977).

Confucianism in Macro Economic Growth

When Confucianism reached its nadir in its birthplace—China—it was brought into vogue by other East Asian countries. For instance, Japan used Confucianism to achieve economic growth. Values such as the sense of duty, acceptance of hierarchical structures, development of an elite based on an examination system, and a faith in rationality, contributed to the economic magic that occurred in Japan after World War II (Kreiner, 1996). Some scholars believe Confucian values are partly responsible for the recent economic success of Korea, Singapore, Taiwan and Hong Kong. Lee Kuan Yew, the founding father of Singapore, acknowledged its importance in nation building (Bary 1995).
Lately, under the economic reform and open door policy proposed by Deng, China has begun to take a renewed interest in Confucianistic principles. President Jiang Zemin and other Communist Party officials now seem to rely as much on Confucianism as on party discipline. They realize that “the public, alarmed by the corruption, crime, and sheer greed that have accompanied China’s economic takeoff, wants its moral compass restored.” To be more specific, “Traditional values have been talked up in Jiang’s recent anticorruption sweep.” China’s official news agency--Xinhua--recently prescribed a revival of Confucianism as “good medicine” to treat the “crisis of morality” that it blamed on Deng’s market reforms (Reed, 1995).

Although many factors explain economic growth--including education, population, nutrition, technological progress, capital formation and international trade (Meier, 1989) -- important scholars, including Hofstede and Bond (1988) believe that Confucianistic principles are at least partly responsible. Though researchers like Hofheinz and Calder (1982) argued that a stable political environment and market-oriented economic policies were the decisive factors, they also asserted that “culture in the form of certain dominant values is a necessary (but not a sufficient) condition for economic growth” (Hofstede, 1991). In particular, other scholars point to the Confucian emphasis on individual savings, and the impact of individual savings on capital formation (Hagen 1980).

They also point to the role Confucian emphasis on education plays in technological progress. Cheng (1991) concluded that “Confucianistic humanism is totally compatible with science and technology, and the Confucianists are in a good position to make the best use of science and technology” (p.333). Thus, many observers--including journalists, politicians and Asianist scholars--agree that Confucianism has contributed to the economic
success of the Asian Five Dragons (Chen and Chung, 1994). Some liken the influence of Confucianism in the East to the influence of the Protestant Work Ethic in the West.

A survey of cultural values by The Chinese Culture Connection (CCC 1987) “locates the Five economic Dragons of Taiwan, Hong Kong, Japan, South Korea, and Singapore at the top” of the value dimension of Confucian Work Dynamism. This survey provides evidence that fundamental aspects of Confucian social philosophy have contributed to the stunning economic development of oriental cultures with a Chinese heritage (Hicks & Redding, 1983a, 1983b; Kahn, 1979; MacFarquhar, 1980).

**Confucianism in Advertising and Marketing Strategy**

In this paper, we focus mainly (though not exclusively) on the application of Confucianism to advertising and marketing strategy. We argue that the optimized framework for modern marketing is with Confucianism in the kernel, acting as the ethical spirit, while Sun Tzu’s strategies form the inside chain and outer ring. This model maintains that Confucianism and Sun Tzu’s strategies are compatible. Additionally, by introducing Confucianism into the marketing metaphor, this framework acknowledges the complexities of modern marketing. In a way, it compensates for the insufficiencies of Sun Tzu’s strategies.

♦ Modern Confucianism

Tung Chung-shu—a famous Confucian scholar in the Hang Dynasty—made Confucianism cater to the needs and self-interests of the rulers. Thus “political use of Confucianism in the past has given it a fixed image and a fixed role to stand as a symbol for close mindedness and conservatism of the ruling class and the politically privileged”
(Cheng 1991, p.23). However the Japanese interpreted Confucius’s doctrines as nationalistic and militaristic. Consequently, “a nationalist-capitalist economy was eventually established, based on a seniority system, lifetime employment, the loyalty of employees to their company and the share-holding system, which fully suits the ethos of Japanese Confucianism” (Morishima, 1987).

We therefore use a more modern version of Confucianism to supplement Sun Tzu’s strategy. Building on such ready models as “Post-Confucian characteristics” (MacFarquhar, 1980) and “Neo-Confucian philosophy” (Cheng, 1991), we choose those doctrines that are most suitable to current marketing exchanges.

♦ The Kernel of the Marketing Model
Figure #3 is the marketing model we propose to modify the model created by Ho and Choi (1997). The main difference is that we add a kernel—the ethical spirit—into their model. The ethical spirit consists of five disciplines based on Confucius’ doctrines. They are: 1. Goals; 2. Leadership; 3. Hierarchy; 4. Thrift; 5. Learning. The first of these five disciplines is designed to rectify some of the ideology in Sun Tzu’s Art of War. The other four are intended to supplement and complement the art of business. It’s worth noting that the disciplines we propose embrace Ordering relationships, Thrift, and Persistence—factors embedded in CCC’s Confucian work dynamism (1987).

1. **Yi and Li**

   Yi and Li are among the most prominent principles in Confucianism. “Yi is the fundamental principle of morality that confers qualities of right and wrong of human actions” (Cheng 1991), while Li is defined as an institution of social rules which serves to “nourish man’s desires” and “satisfy man’s demands” and thus “enable desires not to exhaust things and things not to be bent by desires” (Analects, Li-Lun). In the modern advertising and marketing world, the goals of management need to be modified by these two principles. We will illustrate the benefits of applying these two principles—and the penalties associated with ignoring them—with current examples.

- Goals
Sun Tzu saw conquering the enemy as the ultimate goal of warfare. Several scholars followed this goal in business strategy design. For example, McNeilly (1996) regards overcoming the competitor and obtaining market dominance as the ultimate goal of business. Although this goal might serve military warfare, it is quite “incongruent with the present-day environmental realities” (Rindfleisch, 1996). It cannot reflect the new trend of collaboration among direct competitors, and it mistakes the true purpose of marketing strategy. As Ohmae (1988) states, “strategy is not about beating the competition, it is about creating real value for the customer.”

We introduce Confucius’ yi to rectify the goal of business. Yi can be interpreted as righteousness or integrity, which is “the very principle which should make a person’s conduct morally acceptable to others and which should justify the morality of human action.” With yi, material gains will be acceptable, and lacking of yi causes gains to be meaningless (Cheng, 1991). In the ethical kernel of our advertising and marketing model, yi is interpreted as “real value for the consumer” and “morality in doing business.” Based on the principle of yi, “a business can expand long-term profits while eliminating the destructive consequences of illegal profit seeking and unfair competition” (Jacobs, Gao and Herbig, 1995).

The principle of yi is far from universal in today’s Chinese advertising. A survey by the State Administration for Industry and Commerce revealed that about one-third of 900 broadcast ads debased women or claimed that children would be stronger or smarter after using certain products. Some ads even concealed potentially dangerous side effects of the products. These findings reveal need to use yi to rectify those ads, to promote truth-in-
advertising, so as to protect consumers and build faith and loyalty among consumers (Bangsberg 1995).

In the advertising and marketing world, as Confucius said, “excess and deficiency are equally at fault.” Therefore, *li*, a Confucian value emphasizing adequacy and appropriateness, is also introduced to get balance. The success of Nokia--the world’s second largest mobile phonemaker--shows the importance of using “*li*” in marketing. Martti Laine, managing director of Nokia Mobile Phones in Asia-Pacific and Gulf region, listed their key issue as to “keep the growth somewhat reasonable,” which reflects the main target Nokia’s management tries to fulfill--i.e. to deal with the challenges of being a growing business and yet at the same time not expand too quickly.

- Leadership

Among the “Five Factors” in Chapter I, Sun Tzu regarded the qualifications of the leader as the essence of success. He listed five characteristics a leader should encompass: “wisdom, credibility, benevolence, courage and strictness.” In modern advertising and marketing, the capability of management is equally crucial to the smooth running of the organization. Confucianism established five constant virtues for human beings: benevolence, righteousness, propriety, wisdom, and fidelity. In these five virtues, righteousness and propriety are used to replace courage and strictness proposed by Sun Tzu. To guide the conduct of marketing management, we propose to combine Sun Tzu’s evaluation and Confucius’ five virtues. Hence, we end with seven essential qualifications for advertising and marketing leaders: righteousness, propriety, wisdom, credibility, benevolence, courage and strictness.
The addition of righteousness (yi) is quite crucial, since it is “the basis and foundation of all virtues (Cheng, 1991). This point is particularly clear when considering that a disposition of character will not be a virtue if it lacks the element of yi” (Cheng, 1991).

Confucius says:

if a superior man has courage but no yi, he will make trouble; if a small man has courage but no yi, he will become a bandit (Analects, Yang-ho).

Therefore, yi is the foundation of the other six virtues. By restraining inclinations toward short-term expediency, yi contradicts corruption and bribery. “Even centrally planned economies from China to Vietnam have realized that they can’t run state-owned enterprises based on nepotism, inefficiency, poorly selected managers” based on the “iron rice bowl” concept (Chia 1995).

The other virtue required by Confucius—propriety (li)—was briefly addressed by Sun Tzu:

There are five traits that are dangerous in a commander: If he has a reckless disregard for life, he can be killed; if he is determined to live at all costs, he can be captured; if he has a volatile temper, he can be provoked; if he is a man of uncompromising honor, he is open to insult; if he loves his people, he can be easily troubled and upset. These five traits are generally faults in a commander, and can prove disastrous in the conduct of war (VIII. Nine Changes).

However, it was Confucius who proposed the balance between extremes by emphasizing Li—adequacy and appropriateness.

Yi and Li demand that a leader (1) care about the company’s benefit in a long-term view; (2) care about the customers’ benefit; (2) care more about the organization than his own performance and achievement.
In the “Greater China” market (Frith, 1996), leaders have realized the importance of righteousness and propriety. Paul Cheng—the Chairman of Hong Kong-based Inchcape Pacific—called Chinese managers “merchants rather than corporate people.” Many Chinese believe that all merchants are evil—a belief that condemned merchants for thousands of years. Application of Confucian principles asks Chinese to completely change their minds. Advertising and marketing leaders equipped with the virtues we propose put the consumer’s benefit in first place. This change will build brand loyalty among consumers, hence benefiting the business. Just as described by Nelson An-ping Chang, president of one of Taiwan’s largest cement manufacturers, the view of the marketing leader should be long-term, “not worry so much about the size of the next dividend but willing to take some risk for future gain” (Asian Business, January 1995). Roger Ting, Director of Qualidux Industrial Co. Ltd. (Hong Kong), also emphasized the importance of this kind of leadership by saying “History can’t be held responsible for our future, but the leaders of today can.”

2. Hierarchy

As a moral system, Confucianism focuses on five hierarchical relationships between father and son, ruler and ruled, husband and wife, elder brother and younger brother, and friend and friend (this pair is equal in position). According to Confucius, everyone has a fixed position in society (Jacobs, Gao and Herbig, 1995) and society is seen as a hierarchical pyramid of roles which “entail fairly well established norms governing how people should act and behave in relation to people in other roles” (Xing, 1995).
However, when we introduce Confucian ideals into our business model, with a view toward global application, we focus not on hierarchy but on unity, which acts as an internal force to keep advertising and marketing powerful and efficient.

Unity means solidarity, which is included within another Confucius doctrine---familyism. Unity asks that all the employees share the same values. “Organizations with a strong sense of mission and a corporate culture reinforcing that mission are in better position to defend themselves from attack and to successfully attack the competition” (Rarick, 1996). Examples can be found in the difference between Southwest Airlines and now defunct Eastern Airlines, or Wal-Mart and Kmart. In these cases, a main reason for marketing success or failure was whether the employees shared the same organizational purpose.

The Kowloon-Canton Railway Corp. in Hong Kong serves as a contemporary example. This company changed its corporate culture to one which combined customer satisfaction and continuous improvement. Each employee was involved in developing the mission, vision and core values. This participation built tighter connections between the company and employees. As a result, the company is ranked as one of the corporate giants in Asia (Far Eastern Economic Review, January 9, 1997).

Unity promotes organizational learning, “one of the few assets that grows most--usually exponentially--when shared” (Quinn 1992). Organizational learning won’t occur without unity (Day, 1991).

3. Thrift

Thrift is usually treated as one of Confucius’ doctrines instead of Sun Tzu’s strategies. However, Sun Tzu did mentioned this virtue. In Chapter II, Waging the War,
Sun Tzu illustrated the enormous expense of employing the military and then suggested “securing provisions from the enemy” (Sawyer, 1994). This was Sun Tzu’s thrift.

Confucianism emphasizes a different form of thriftiness, which encourages individual saving and, consequently, capital formation. When combined with \( li \) and \( yi \), thrift doesn’t mean to reduce the benefit of employees, or to raid competitors to get resources. The true definition of thrift is multifold: firstly, it requires careful appraisal of investment; secondly, it prevents waste of organizational resources; thirdly, it asks feasible decrease of costs; finally, it encourages economical and creative marketing.

The Heng Seng Bank provides a current example of the virtues of Confucian thrift. Even though the Hang Seng Bank (Hong Kong) is ranked as one of the top banking business in Asia, it never takes financial prosperity as the excuse of being extravagant. On the contrary, it maintains strict expense discipline, which makes it continuously profitable, with a return on average shareholders’ funds at 20.3% in 1995 (Far Eastern Economic Review, Jan 9, 1997).

4. Learning

In his mid-fifties, Confucius diligently wandered about the Chinese states, seeking out and instructing those who were eager to learn (Rogers, 1993). He divided study into two stages: \( hsueh \) (learning) and \( shih-hsueh \) (practice learning). He said: “To learn and frequently practice what one has learned--is this not a pleasure?”

From a managerial perspective, the fundamental assumption is that learning will improve future performance (Fiol and Lyles 1985; Senge 1990; Garvin 1993). In line with Confucian principles, Hong Kong’s Hospital Authority has established a wide variety of professional, managerial and consumer-service training programs. “This is continuously
increasing the knowledge and skills of the staff and giving them new tools to enhance their competence in discharging their responsibility.” (Far Eastern Economic Review, Jan 9, 1997). In fact, some executives and scholars have suggested that in competitive markets, learning may be the only source of sustainable competitive advantage (Slater and Narver, 1994).

Learning is especially important for foreign companies who are beginning to put their eyes on “Greater China.” For example, Kodak gained leadership when it adopted a two-sided learning strategy. Internally, it trained local staff for customer service, technical support and general business; externally, it studied its customers. In the course of studying its customers, Kodak discovered that Chinese people like to travel during April, to mark the start of spring, and September, before cold weather sets in. Using this information, Kodak introduced coupons to accelerate seasonal sales. Beyond this, they learned that “handing-out scratch cards with purchases of film is one way to attract the average Chinese consumer--but only if the card gives a guaranteed instant win.” These efforts heralded the “Kodak Moment” in the “Greater China” market (Snee 1998).

Confucian scholars have underlined the importance of shih-hsueh (practice learning). For example, Chu Hsu said:

Knowing and practice are mutually dependent: like eyes without feet cannot walk, feet without eyes cannot see. On the question of priority, knowing should be first. On the question of importance, practice should be more important (Shu Ching-ssu lu, p.38).

That’s why the stringent definition of a “learning organization” eliminates organizations that are adept at creating or acquiring new knowledge but unable to apply that knowledge to their own activities (Slater and Narver, 1994).
A Shih-hsueh also implies continuous updates of ideas and strategies. Beh (1995) points out that in many companies in Asia, “new systems and old ideas are a poor mix.” Despite dramatic changes in the way goods and services are now marketed, traditional patterns of organizing the advertising and sales force have become so ingrained that it is difficult to conceive of work being accomplished in any other way. Over the past 10 years, competition has grown enormously, consumers have become more sophisticated, distribution channels have multiplied and retailers have grabbed more power. Yet many Asian advertising and marketing departments are run as though none of this has happened. “They muddle on with the same management structure and control mechanisms just the same as they always were.” In keeping with shih-hsueh, advertising/marketing departments must change with the times, junking old ways of working and adopting new structures, systems, job descriptions and control mechanisms, and must “use the revolution in information technology not to automate existing processes, but to create new ones” (Beh 1995b).

V. Conclusion

In this commentary, we have supplemented Ho and Choi’s (1997) “Winning model” by combining Sun Tzu’s military strategies with Confucius’ humanism. The Confucian Kernel contains: 1. Goals; 2. Leadership; 3. Hierarchy (unity, harmony, loyalty); 4. Thrift; 5. Learning. In the process of redesigning the model, we found that the thoughts of these two 2,500-year-ago sages, though not previously joined, complement each other.
Now the question is, can a model based upon two ancient Chinese sages fit modern markets? And, can a model imbued with oriental ideas helps Western marketers who want to conduct business in Eastern markets, especially, “Greater China”? We believe that the answer to those questions are positive for four reasons:


3. Cheng (1991) has shown that Confucianistic humanism is compatible with modern science and technology.

4. Kreiner (1996) pointed out that preoccupation with completely materialistic concepts has led to persistent social dislocations, which Asian societies may be able to avoid by relying on the spiritual values of Confucianism.

Today’s Asia is facing a new need to return to Confucian values. Patrick Wang, Chairman of Microelectronics Technology Inc., commented that “One of Asia’s advantages in the past was the predominance of small and medium sized enterprises--they tend to be very flexible and aggressive, and that contributes a lot to economic growth. Now these small and medium-sized firms are growing larger, and the challenge is how they can maintain their entrepreneurship (and their) flexibility and competitiveness.” (Jan. 1995 Asian Business). Return to Confucian value can help them meet the challenge.

*Korea Herald* (10 February 98) observed that corruption was partially responsible for Korea’s economic crisis. Korea’s Corruption Perception Index score increased seven places from the previous year. And Kim Chan-kon, an executive with the Audit and Inspections Bureau at Seoul City Hall, concluded that this result reinforced “foreign media...
reports which contended that it was corrupt bureaucrats, businessmen and bankers who took South Korea to the brink of default.” Hence, we see the price paid for not following Confucius’s ethical doctrines.

Even though Microsoft, Coca-Cola, and McDonald’s all remained in the top three of Far Eastern Business Review’s 1996 leading companies rankings, they all showed deterioration in the attributes of “High-quality services/products” and “Innovative in responding to customer needs” (Far Eastern Economic Review, Jan 9, 1997). These ominous changes suggest that blindly following Sun Tzu’s aggressive strategy and neglecting the long-term benefits of Confucianistic ideals may be harming the reputations of these—and presumably other—companies. The present model, by adding the humanistic wisdom of Confucius to the military aggressiveness of Sun Tzu, provides Western as well as Eastern managers with ethical and practical guides that will promote long-term prosperity.

**REFERENCES**


