

Vladimir Kvint

Strategy for the Global Market

Theory and Practical Applications



Strategy for the Global Market

In the twenty-first century, the global community constantly strives to bring structure and order to the world through strategic means. From the highest levels of governments and militaries to multilateral institutions, NGOs, and corporations, a strategy for the future of a company, region, country, or even the world is tantamount to success. Yet few understand what strategy actually is and how it can be developed, planned, and implemented.

Strategy for the Global Market combines a fundamental study of the theory of strategy with its practical applications to provide a new approach to the global emerging market. Due to the technological transformations in communications and transportation, and the birth and development of both the global community and the global marketplace over the past twenty years, the world's population and corporations are in much closer contact with their counterparts across the globe than ever before. This has led to increasing competition and even rivalries. Understanding the strategic environment, as well as solving problems either through amicable means or conflict, requires the powerful instrument of strategy to remain efficient and to triumph.

Features of this book include:

- Methodology and practical recommendations for all stages of developing and implementing strategy.
- A comprehensive guide with explanations and descriptions, for the preparation and orderly compilation of all necessary strategy documents.
- Real-world examples taken from corporate, government, and military strategizing practices in emerging market countries and the global marketplace.

This book should be on the desk of every national, regional, and military leader, corporate executive, manager, and student of strategy.

Dr. Vladimir Kvint has been a professor of strategy, management systems and international economics at Fordham University, New York University's Stern School of Business, American and LaSalle Universities, and Babson College and serves as chair of the Financial Strategy Department in the Moscow School of Economics at Moscow State University, Russia. He is a member of the Bretton Woods Committee and the Russian Academy of Sciences, a US Fulbright Scholar, and a well-established strategic advisor.

Drawing on 45 years of experience in global markets, gained as a student, teacher, and active advisor across sectors and regions, Vladimir Kvint offers a wise and powerful theory of business strategy and provides a roadmap to practitioners which, if followed with discipline, will inform tactics and lead to long term success.

Sharon P. Smith, *President, University of Pittsburgh at Greensburg, USA*

This pathbreaking book studies the concept of strategy, surveying its development from ancient times to the present and showing how it is basic to both economic growth and the quality of life. Strategists, Kvint explains, work to find new perspectives and to project new scenarios into the future. This original, deep, and practical book is a must-read for all of us who want to understand modern economies.

Edmund S. Phelps, *the 2006 Nobel Laureate in Economics and Director, Center on Capitalism and Society, Columbia University, USA*

Kvint does a superb job of clearly explaining business strategy and the global market environment. The book is very timely and it is well suited for executives in strategic implementation as well graduate students in business, economics, finance or international affairs. Strategy practitioners and their firms will gain tremendous insights from this excellent explanation of the concepts.

Y. Joseph Ugras, *Dean of the College of Professional and Continuing Studies, LaSalle University, USA*

Strategy for the Global Market

Theory and Practical Applications

Vladimir Kvint

First published 2016
by Routledge
711 Third Avenue, New York, NY 10017

and by Routledge
2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN

Routledge is an imprint of the Taylor & Francis Group, an informa business

© 2016 Taylor & Francis

The right of Vladimir Kvint to be identified as author of this work has been asserted by him in accordance with sections 77 and 78 of the Copyright, Designs and Patents Act 1988.

All rights reserved. No part of this book may be reprinted or reproduced or utilised in any form or by any electronic, mechanical, or other means, now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system, without permission in writing from the publishers.

Trademark notice: Product or corporate names may be trademarks or registered trademarks, and are used only for identification and explanation without intent to infringe.

Library of Congress Cataloging in Publication Data

A catalog record for this book has been requested

ISBN: 978-1-138-89210-1 (hbk)

ISBN: 978-1-138-89212-5 (pbk)

ISBN: 978-1-315-70931-4 (ebk)

Typeset in Bembo
by Cenveo Publisher Services

To all strategists who have and will improve the world.

Remembering, notwithstanding, that the true worth of a man is to be measured by the objects he pursues.

Marcus Aurelius Antonius Augustus, Stoic philosopher and Roman Emperor (121–80 CE), *Meditations*.

How wonderful it is that nobody need wait a single moment before starting to improve the world.

Anne Frank, diarist whose life was ended in Bergen-Belsen concentration camp at age 15 (1929–45), *The Diary of a Young Girl*.

Contents

<i>List of Plates</i>	x
<i>List of Figures</i>	xi
<i>List of Maps</i>	xiv
<i>List of Tables</i>	xv
<i>About the Author</i>	xviii
<i>Acknowledgments</i>	xx
<i>Keynote Definitions</i>	xxi
<i>List of Abbreviations</i>	xxiii
<i>Preface</i>	xxvi
PART I	
Strategy: Theory and Methodology	1
1 Uncovering Philosophical Roots For a Theory of Strategy	3
<i>Interrelationship between Philosophical and Strategic Thoughts</i>	<i>3</i>
<i>Development of Strategic Ideas into Theory and Methodology</i>	<i>11</i>
<i>Philosophical Category of Good Life and Its Transformation to Quality of Life as the Essence of Strategy</i>	<i>23</i>
<i>Strategic Values and Priorities in Different Political-Economic Systems</i>	<i>30</i>
<i>Rehabilitation, Adoption, and Burgeoning of a Symbol for Strategy</i>	<i>37</i>
2 The Strategic Thought Process	43
<i>Keynote Definitions</i>	<i>43</i>
<i>The Strategic Mindset in Strategy Development and Implementation</i>	<i>43</i>
<i>The Quality of a Strategist</i>	<i>54</i>
<i>Fifteen Rules of Strategic Thinking</i>	<i>59</i>
PART II	
Strategy in Practice	81
3 Developing and Implementing Strategy	83
<i>Keynote Definitions</i>	<i>83</i>
<i>System of Strategy</i>	<i>83</i>

	<i>Development of Strategy</i>	88
	<i>Strategy Implementation</i>	110
	<i>Exit Strategy</i>	130
4	Strategic Management Systems	136
	<i>Keynote Definitions</i>	136
	<i>Concept of a Strategic Management System</i>	136
	<i>Major Elements of a Strategic Management System</i>	137
	<i>Major Functions of Strategic Management Systems</i>	158
	<i>The International Joint Venture as a Strategic Organizational Vehicle of Globalization</i>	164
PART III		
	The Strategic Role of the Global Emerging Market in the Global Marketplace	179
5	A Strategic Evaluation of the Global Marketplace	181
	<i>Keynote Definitions</i>	181
	<i>Genesis of the Global Marketplace</i>	181
	<i>The World Economy and the Global Marketplace</i>	185
	<i>Strategic Evaluation of the World Economy and the Global Marketplace</i>	191
6	The Global Emerging Market: Definition, Characteristics, and Dynamics	270
	<i>Keynote Definitions</i>	270
	<i>Preconditions for the Birth of the Global Emerging Market</i>	270
	<i>Major Characteristics of an Emerging Market Country</i>	278
	<i>Classification of Emerging Market Countries</i>	280
	<i>The Genesis of the Global Emerging Market</i>	282
	<i>The Strategic Role of the Global Emerging Market in the World</i>	297
	<i>National Agendas and Benefits to Society of Emerging Market Countries</i>	303
	<i>The Strategic Vision of the Future of the Global Emerging Market</i>	307
7	Ten Global Trends: Political, Economic, and Technological Impacts on Strategies for Emerging Markets	311
	<i>System of the Ten Global Trends</i>	311
	<i>Globalization and Democratization as Objective Trends</i>	315
	<i>The Roots of the Global Trend of Political Disintegration</i>	318
	<i>Regionalization as a Global Trend</i>	321
	<i>The Regional Economic Integration Trend in the Strategizing Process</i>	325
	<i>The Trend of Privatization</i>	328
	<i>The Trend of Internationalization</i>	336
	<i>The Strategic and Economic Impact of the Global Trend of Terrorism and Extremism</i>	346
	<i>Technological Trends in Strategic Development</i>	354

8	The Strategic Influence of the Emerging Global Economic and Business Orders	367
	<i>Keynote Definitions</i>	<i>367</i>
	<i>Genesis of the Global Order</i>	<i>367</i>
	<i>Strategic Role of Bretton Woods Institutions in the Global Order</i>	<i>372</i>
	<i>Empirical Dynamics of the Global Order</i>	<i>375</i>
	<i>Objective and Subjective Strategic Factors Influencing the Global Economic and Business Orders</i>	<i>389</i>
	<i>Strategic Triggering Events Due to the Formation of the Emerging Global Economic and Business Orders</i>	<i>398</i>
	<i>The Changing Strategic Roles of Multilateral Institutions in the Global Marketplace</i>	<i>402</i>
	<i>Additional Strategic Authorities of the Global Economic and Business Orders</i>	<i>409</i>
	<i>Strategic Characteristics of the Emerging Global Economic and Business Orders</i>	<i>416</i>
9	Investment Strategies for the Global Emerging Market	425
	<i>Keynote Definitions</i>	<i>425</i>
	<i>Strategic Reasons for Cross-Border Investment</i>	<i>425</i>
	<i>Strategic Gauging of Foreign Investment Risk in Emerging Markets</i>	<i>435</i>
	<i>Strategic Foreign Direct Investment from the Global Emerging Market to Developed Countries</i>	<i>490</i>
	<i>Afterword</i>	<i>501</i>
	<i>Bibliography</i>	<i>503</i>
	<i>Index</i>	<i>507</i>

List of Plates

Color plates are located between pp. 205 and 206.

5.1	Global Distribution of Freshwater Resources	205
5.2	Worldwide Distribution of Remittances, Continents, Regions, and Country	206

List of Figures

1.1	Concept of National Holistic Strategy	20
1.2	Quality of Life—Epistemology of Category	31
1.3	Vision of an Ontological Approach to National Strategy Development	33
1.4	Correlations between Values, Interests, Priorities, and Competitive Advantages	35
2.1	Dimensions and Stages of the Strategic Thought Process	50
2.2	The Strategists' Position between the Past and the Future	64
3.1	Hierarchic System of Strategy	85
3.2	Correlation between Forecasting, Strategizing, and Planning	89
3.3	Stages of Development of Business Strategy: Scanning and Forecasting External and Internal Environments	92
3.4	The Mission and Major Contents of the Vision	97
3.5	Major Stages and Resulting Documents of Strategy Formation	104
3.6	Selection of Strategic Scenario, Tactic, and Policy	106
3.7	Stages of Strategy Implementation	112
3.8	Schedule of Strategy Development, Implementation, and Strategic Investment Recovery	121
3.9	Schedule of Intensification of Strategic Investment with Accelerated Period of Strategy Implementation by 0.6 Years	121
4.1	Concept of a Strategic Management System	138
4.2	Growth Rate of FDI, GWP, and Foreign Trade	165
4.3	Reasons for Failure of International Joint Ventures, 1988–1992	166
4.4	Reasons for Failure of International Joint Ventures, 1993	168
4.5	Reasons for Failure of International joint Ventures, 1998	169
5.1	Gross World Product, 1500–1950	182
5.2	Trade as a Percentage of GWP, 1960–2012	183
5.3	GWP, 1960–2013	183
5.4	Dynamics of GWP during its Internationalization	184
5.5	Development of GWP during the Formation of the GMP	191
5.6	GWP PPP during the Period of the Formation of the GEM	194
5.7	GWP per Capita	195
5.8	Revised GWP Growth by New PPP Methodology	197
5.9	Industrial Structure of GWP	198
5.10	System of Basic Economic Factors for Strategic Evaluation	201
5.11	Estimates of Proven Oil Reserves by World Region as a Percentage of World Total	212

xii *List of Figures*

5.12	Gas Recoverable Reserves by Region as a Percentage of World Total, 2014	213
5.13	Estimated Recoverable Coal Reserves by World Region as a Percentage of World Total, 2014	214
5.14	Changes in Fuel Shares of Total Primary Energy Supply (TPES), 1973–2013	216
5.15	Sources of World Electricity Generation, 2013	216
5.16	Changes in Regional Shares of Nuclear Production, 1973–2012	218
5.17	Changes in Regional Shares of Total Final Energy Consumption, 1973–2012	219
5.18	Change in World Energy-Related Carbon Dioxide Emissions by World Region and Country, 1973–2012	225
5.19	World, GEM, United States and EU Unemployment Rates, 2013	243
5.20	World, GEM, United States and EU Unemployment Rates, 2012	244
5.21	Foreign Currency Reserves in Convertible Currencies, January 2008	249
5.22	Total Reserves (Includes Gold and Convertible Foreign Currencies), 2014	250
5.23	Foreign Currency Reserves as a Share of Global Total, 2007	250
5.24	Foreign Currency Reserves (Without Gold) as a Share of Global Total, 2013	251
5.25	Bank Assets as a Share of the Global Total, 2006	253
5.26	Bank Assets as a Share of the Global Total, 2013	253
5.27	Stock Market Capitalization of the Global Marketplace Regional Shares, 2006	254
5.28	Stock Market Capitalization of the Global Marketplace Regional Shares, 2013	255
5.29	Capitalization Growth Rates of Major Economies, 2012	256
5.30	Major Net Exporters and Importers of Capital, 2013	259
5.31	Disparities in Use of Patents and Various Technologies, 2008	265
6.1	EMC Classification by Economic and Social Maturity	281
6.2	Unemployment in the US, EU, GEM, and the GMP	293
6.3	Size of Diaspora as a Percentage of Origin Country Population	295
6.4	Top EMC Recipients of Remittances, 2014	295
6.5	Top EMC Recipients of Remittances, 2013	296
6.6	Input of GEM in Global GDP	300
6.7	Comparison of the Rate of Growth of the World Economy with the Dynamics of Economic Development of the GEM, US, and Russia, 2013	301
7.1	Increasing Exports of Livestock and Fish Products, 2010–12 and 2022	313
7.2	Number of New International Firms in the Global Marketplace	341
7.3	Number of MNCs from Developed, Developing, and Emerging Market Countries, 1992–2008	344
7.4	Patent Applications for the Top 20 Countries by Residents, 2012	345
7.5	Mobile Phone Penetration by Country Categorization, 2002–2010	355
7.6a	Mobile Subscribers by Country Categorization, 2002–2009	355
7.6b	Twenty Most Dynamic Economies in Terms of Increased Mobile Penetration, 2003–2008	356

7.7a	Internet Penetration by Country Categorization, 2002–2010	357
7.7b	Top 20 Economies by Largest Increase in Internet Users per 100 Inhabitants, 2005–2010	357
7.8	Resident Patent Filings per \$1 Billion of Gross Domestic Product	360
8.1	The Global Optimum in the Global Business Order	393
9.1	Top Emerging Market Country Recipients of FDI, January 2014	431
9.2	Foreign Direct Investment Inflows by Category of Country, 2013	434
9.3	Emerging Market Strategic Risk System	443
9.4	Strategic Approach to Systematic EMC Risk Evaluation	443
9.5	Greenfield FDI Projects by Emerging Market Country Recipients, 2013	445
9.6	Greenfield FDI Projects by Emerging Market Country Investors, 2013	446
9.7	Changing Dynamics of the Kuznets Curve Under the Influence of Corruption in the GEM	459
9.8	M2 Growth Rate in Brazil, China, India, and Russia, 2002–2012	468
9.9	Consumer Price Index in Russia, the US, the EU, and the World, Percentage Increase from 2008–2013	470
9.10	Internet Users in the GEM, Total and Penetration, 2014	489
9.11	Acquisitions of US Targets by Emerging Market Investors (Country Percentage Share)	493
9.12	FDI Outflow by Category of Country, 1990–2013	494

List of Maps

5.1	Energy Production in the GMP, 2005	215
-----	------------------------------------	-----

List of Tables

5.1	GDP (Exchange Rate) of the Ten Largest Economies, 2014	192
5.2	GDP per Capita, 2014	192
5.3	The Role of the GEM and Developed Countries in the GMP, 2007	193
5.4	The Role of the GEM and Developed Countries in the GMP, 2013	193
5.5	GDP PPP, January 2014	194
5.6	Largest National Territories	203
5.7	Countries with Largest Total Renewable Water Resources, 2014	204
5.8	Countries with the Largest Total Renewable Water Resources per Capita, 2014	207
5.9	Countries with the Lowest Total Renewable Water Resources per Capita, 2014	208
5.10	Countries with the Highest Total Renewable Water Dependency Ratio, 2014	209
5.11	Countries with a Total Renewable Water Dependency Ratio of Less than 1 Percent, 2014	210
5.12	Proven Energy Reserves by Region as a Percentage of World Total, 2013	211
5.13	Production of Hydro Electricity, as a Percentage of World Total, 2012	217
5.14	Production of Electricity from Nuclear Energy, 2012	219
5.15	Thirty Countries with the Lowest National Energy Intensity (Use of Energy per One Unit of GDP), 2012	220
5.16	Energy Intensity (Use of Energy per One Unit of GDP) of Major Economies of the GMP, 2005	221
5.17	Energy Intensity (Use of Energy per One Unit of GDP) by Region	222
5.18	Thirty Countries with the Lowest Energy Consumption per Capita, 2014	223
5.19	Thirty Countries with the Highest Energy Consumption per Capita, 2014	224
5.20	Energy Consumption per Capita by Region, 1990–2011	224
5.21	World Aluminium Production, 2013	226

5.22	World Copper Mine Production and Reserves, 2014	227
5.23	World Nickel Mine Production and Reserves, 2014	228
5.24	World Cobalt Production and Reserves, 2012	229
5.25	World Platinum Group Metals Production and Reserves	231
5.26	World Gold Production and Reserves, 2013	232
5.27	Top 25 Countries in Terms of Forest Area	234
5.28	Paper and Paperboard Production, 2012	235
5.29	Ten Largest Countries in Terms of Population, 2015	236
5.30	Fastest-Growing National Populations, 2014	236
5.31	Most Rapidly Declining National Population, 2014	237
5.32	Countries with Largest Percentage of National Population Age 65 and Above, 2014	238
5.33	Countries with Largest Percentage of National Population Age 15 and Below, 2014	239
5.34	Countries with the Lowest Life Expectancies, 2014	239
5.35	Countries with the Highest Literacy Rates, 2014	240
5.36	Countries with the Lowest Literacy Rates, 2014	240
5.37	Countries with Highest Level of Educational Attainment, 2012	241
5.38	Countries with the Most Unequal Distribution of Wealth–Gini Index, 2014	242
5.39	Countries with the Most Equitable Distribution of Wealth–Gini Index, 2014	242
5.40	Working Hours by Country, 1995, 2006, and 2013	245
5.41	HDI Ranking, 2006	246
5.42	HDI Ranking, 2014	247
5.43	Global Gold Reserves Special Drawing Right (SDR)	252
5.44	US and GEM Capital Inflows, 1996–2006	256
5.45	The Knowledge Economy Index (KEI), 2012	261
5.46	Research & Development performed Abroad by Majority Owned Foreign Affiliates of US Multilateral Corporations, 2010	264
6.1	EMC Classifications According to Professional Publications	282
6.2	Global and Central and Eastern Europe (CEE)/Commonwealth of Independent States (CIS) Growth Outlook, 2005–2012	284
6.3	EMCs by GDP in PPP, 2013	285
6.4	EMCs by Size of Territory	290
6.5	Largest Countries in Terms of GDP PPP, 2013	299
6.6	EMCs by Population, 2014	302
6.7	FDI Inflows to EMCs, 2014	304
7.1	Farmed Fish Production by Top 15 Producers and Main Groups of Farmed Species in 2012	315
7.2	Mass Privatization Programs in Central and Eastern Europe and the CIS	332
7.3	The Role of BRIC IPOs in the GMP	336
7.4	GEM MNC from the List of the World's Top 15 Non-Financial Transnational Corporations Ranked by Foreign Assets, 2012	342
8.1	Top Ten Non-Financial Multinational Corporations Ranked by Transnationality Index, January 2015	399

8.2	Top Non-Financial Multinational Corporations from EMCs from the List of Top Non-Financial Multinational Corporations Ranked by Transnationality Index, January 2015	401
9.1	Top 20 Nations by FDI as Percentage of GDP, 2013	433
9.2	Top Nations by Ease of Doing Business, 2014	440
9.3	Number of Greenfield FDI Projects by Sector/Industry, 2003–2013	444

About the Author

Dr. Kvint's 45 years of scholarly economic and strategic studies have been focused on the development and practical application of both the theory of strategy and the theory of the global emerging market.

Coupled with his experience solving real-world strategic problems, and his deep knowledge of the rules of strategic thinking, he brings a unique perspective to the important issues facing strategists around the world. Prior to his academic experience, he worked in the non-ferrous metals industry above the Arctic Circle in Norilsk—the world's most northern city. He received his mining–electrical engineering degree in Siberia and, later, a Ph.D. in Economics from the Plekhanov Moscow Institute of National Economy, as well as a Doctor of Science in Economics from the Institute of National Economy of the Russian Academy of Sciences. In 1988, he received a lifetime professorship of political economy and, while living in the United States, was elected to one of the world's most prestigious think tanks, the Russian Academy of Sciences, as a lifetime Foreign member. He is a member of the Bretton Woods Committee in Washington, DC, the World Academy of Art and Science, and he is a 2001 US Fulbright Scholar.

After teaching at the Vienna Economic University in Austria, Dr. Kvint was a professor of Management Systems and International Business at Fordham University in New York, where he taught for about 15 years. He served as a professor in International Economics at Babson College and American University in Washington, DC, and as an adjunct professor of strategy at NYU's Stern School of Business and, most recently, at LaSalle University. In 2007, he was elected as chair of the Financial Strategy Department of Moscow State University's Moscow School of Economics. He also teaches courses on the theory of strategy and quality of life at the North-West Institute of Management of the Russian Presidential Academy.

Dr. Kvint was a director of emerging markets at Arthur Andersen in New York and at Metromedia International Telecom, and served as a global head of emerging markets at one of the largest architectural and planning firms, RMJM, until December 2012. He was a consultant for several global companies, including General Electric and Transamerica, among other major corporations.

He has received honorary doctorates from several universities in the United States, Russia, Albania, Ukraine, Kazakhstan, and Kyrgyzstan. His published articles and books on economics, strategy, management systems, and the political economy of emerging markets are widely translated. His analysis of strategy has appeared on CNN and in *Forbes*, the *Harvard Business Review*, *Bloomberg Business*, the *New York Times*, the *Los Angeles Times*, *The Times* (London) and *The Independent* (London). He lectures on strategy and the global emerging market in Europe, including at the London School of Economics,

Imperial College (London), and the Universities of Edinburgh, Antwerp, Leuven, and Free Brussels, as well as major universities in Eastern Europe, Russia, Turkey, Brazil, Uruguay, and the United Arab Emirates. In the United States, he has presented his strategic studies at leading universities including Harvard, Columbia, Georgetown, George Washington University, the Wharton Business School, and the University of California, Los Angeles.

He has provided advice to governments of several developed and emerging market countries, including Russia, the US, Albania, Bahrain, Brazil, Bulgaria, Taiwan, Turkey, Ukraine, and the United Arab Emirates, among others.

Acknowledgments

It is always difficult to start and complete any manuscript. The author always needs, strategically speaking, a triggering event. The crucial starting point for me in embarking on and finalizing this book were the numerous conversations on strategy with Nobel Laureate Edmund Phelps and his wife Viviana during the summer of 2013, a dialogue that continued throughout the writing of this manuscript. I am very grateful to both of them. I am also very thankful to my friends Valery Makarov, Alexandr Nekipelov, Vladimir Shamakhov, Joseph Ugras, and Murad Alimuradov for encouraging me to write and finalize this book. I especially have to express my gratitude to two very talented young scholars, Sarah Davis and Greig Roselli, who spent most of their time with me polishing and putting the finishing touches on the manuscript, so that my very kind editors at Routledge, Sharon Golan and Jabari LeGendre, had no choice but to accept it. The perennial difficulty for the first reader of a manuscript is to peruse it while it is still raw, and for this I would like to give credit to Elizabeth Schmermund for her improvements and thoughtful suggestions, as well as Derek Lucarz, who gave a careful reading of the first chapter. This book contains the most up-to-date statistics, reflected in the numerous tables and figures, and for this I am very grateful for my research associates Murad Alimuradov, Andrey Beletsky, Victor Chendulaev, Daria Gavrilina, Ekaterina Ivanova, Alexey Karpov, and Maxim Savin.

Time flies by quickly—for a quarter of a century I have lived, worked, researched, and written books and articles in the United States. And throughout this time, absolutely all my publications have had the same first readers: my closest friends—my two talented daughters—Liza and Valeria.

To write a book over a long period of time requires not only a hard-working attitude and discipline, but also inspiration. And for inspiring me, I must thank my lovely and gifted friend Varia Rykova, who was more concerned about my approaching deadline than I. It would be wrong for me not to mention that throughout the time I have dedicated to writing on strategy, I have always felt the support of my mother, who passed away more than 30 years ago. Finally, without the unflagging support of all my friends who have accompanied me on my life's journey, I could not have accomplished the objectives I set out for myself. And for this—thank you to everyone I have not mentioned in this acknowledgement or accidentally may have missed.

Keynote Definitions

Strategy is the system of finding, formulating, and developing a doctrine that will ensure long-term success if followed faithfully.

Strategy is wisdom with a defined vector to success and with an assessment of resource limitations.

The **Strategist** is a wise, disciplined, and optimistic professional with a strategic mindset, a vision of the future, and intuition. He or she is armed with a strategizing methodology to utilize broad and deep knowledge of entities and a comprehensive understanding of the most influential objective trends.

A **Strategic Management System** is a managerial process of strategy formulation, implementation, and functioning aimed at establishing or improving and enlarging the strategizing object's priorities according to its fundamental values and interests.

Formal strategy is the final product of strategizing that takes into consideration previously updated forecasts, public values, and interests, and which consists of a defined mission statement, long-term vision (including priorities), objectives, and goals. This long-term strategy must also include a particular scenario to be implemented via the strategic plan and a strategic management system that monitors its implementation.

The **Global Marketplace (GMP)** is a strategic system of economic relationships between consumers, companies, governments, and multilateral institutions from around the world that allows real-time cooperation and competition regardless of location.

An **Emerging Market Country (EMC)** is a society transitioning from a dictatorship to a free market-oriented economy, with increasing economic freedom, gradual integration within the GMP and with other members of the global emerging market, an expanding middle class, improving standards of living, social stability, and tolerance, as well as an increase in cooperation with multilateral institutions.

The **Global Emerging Market (GEM)** is a new economic, strategic, and political phenomenon of the world economy and the global marketplace, encompassing emerging market countries and their regional blocs, which, despite varying geopolitical characteristics, are united by comparable levels of risk and developing free-market infrastructure. These factors of the GEM unify vectors of development of emerging market countries toward economic freedom and global integration, attracting international economic and business cooperation and competition.

The **Global Order** is a political and economic system of cooperation that emerges organically or as a result of the strategic influence of multilateral institutions, superpowers, and other nations, though not necessarily by cooperative means. The global order provides customary procedures, allowing the avoidance or mitigation of conflict while promoting stability and sustainable development by offering countries, regional blocs, and corporations a means to negotiate disputes among themselves and to develop mutually beneficial solutions to global challenges.

The **Global Business Order** is a subsystem of the global order that provides a relatively stable framework for cooperation between businesses with global, regional, and national institutions, allowing the predominantly evolutionary development of the global marketplace. It is a set of customs by which corporations compete and cooperate with other businesses in the global marketplace, exploiting opportunities offered by it without violating human rights, national interests, or regional and global standards and agreements.

Foreign Direct Investment (FDI): The roots of the economic strategy nature of FDI stem from competitive opportunities abroad: a workforce of appropriate quality, available capital, effective management systems, technology, and know-how—all of which lead to a high level of faster returns, with a manageable level of risk, as outlined by a comprehensive feasibility study and strategy.

Risk of Foreign Direct Investment is an innate characteristic of cross-border business related to the threat of predictable or unpredictable negative changes of the external environment or of a company's internal resources, with manageable and unmanageable consequences leading to potential losses.

List of Abbreviations

AAI	Arthur Andersen International
ADIA	Abu Dhabi Investment Authority
ADR	American depository receipts
AIG	American International Group
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BCE	Before the Common Era
BCIU	Business Council for International Understanding
BIS	Bank of International Settlements
BISIP	Bank of International Settlements Investment Pool
BOP	bottom of pyramid
BRIC	Brazil, Russia, India, and China
BRICS	Brazil, Russia, India, China, and South Africa
BTU	British thermal unit
CAFTA	Central American Free Trade Agreement
CARICOM	Caribbean Community
CBP	Customs and Border Protection Agency
CE	Common Era
CEO	chief executive officer
CESCE	Compañía Española de Seguros de Crédito a la Exportación
CIS	Commonwealth of Independent States
COMESA	Common Market for Eastern and Southern Africa
COO	chief operating officer
COSO	Committee of Sponsoring Organizations
CPI	consumer price index
C-TPAT	Customs-Trade Partnership against Terrorism
ECOWAS	Economic Community of West African States
EMC	emerging market country
EMTA	Emerging Markets Traders Association
EU	European Union
FATF	Financial Action Task Force
FDI	foreign direct investment
G7	Group of Seven
G8	Group of Eight
GDP	gross domestic product
GDR	global depository receipts

GE	General Electric
GECF	Gas Exporting Countries Forum
GEM	global emerging market
GMP	global marketplace
GNI	gross national income
GNP	gross national product
GUAM	Georgia, Ukraine, Azerbaijan, and Moldova
GWP	gross world product
HDI	Human Development Index
HIPC	heavily indebted poor country
IAEA	International Atomic Energy Agency
IBRD	International Bank for Reconstruction and Development
ICC	International Chamber of Commerce
ICE	Immigrant and Customs Enforcement
IDA	International Development Association
IDR	international depository receipts
IFC	International Finance Corporation
IJV	international joint venture
IMD	International Institute for Management
IMF	International Monetary Fund
IPO	initial public offering
IRS	Internal Revenue Service
ISO	International Organization for Standardization
IT	information technology
LOI	letter of intent
MBA	Master's in business administration
Mercosur	also known as: Mercosol; a regional bloc of countries from the Southern Cone of South America
MIGA	Multilateral Investment Guarantee Agency
MSCI	Morgan Stanley Capital International
MU	memorandum of understanding
NAFTA	North American Free Trade Agreement
NASDAQ	National Association of Securities Dealers Automated Quotations
NATO	North American Treaty Organization
NGO	non-governmental organizations
NYSE	New York Stock Exchange
OAA	Osaka Action Agenda
OECD	Organization for Economic Cooperation
OPEC	Organization of the Petroleum Exporting Countries
OPIC	Overseas Private Investment Corporation
OTCBB	Over The Counter Bulletin Board
OTSW	opportunities, threats, strengths, and weaknesses
P-EMC	pre-emerging market country
PERT	Program Evaluation and Review Technique
PPP	purchasing power parity
R&D	research and development
RBC	Royal Bank of Canada
S&P	Standard and Poor's

SAFTA	South Asia Free Trade Agreement
SAR	special administrative region
SDR	special drawing right
SWOT	strengths, weaknesses, opportunities, and threats
TCO	Tengizchevroil
TPES	Total Primary Energy Supply
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
USSS	United States Secret Service
USTR	Office of the United States Trade Representative
WBG	World Bank Group
WTO	World Trade Organization

Preface

After 45 years of studying and writing on the theory of strategy and the practical experience of strategizing corporate, regional, and national progress in several developed and emerging market countries, I decided it was time to summarize my knowledge and experience on the theory of strategy, the theory of the global emerging market, and its practical applications. It required effort to synthesize and comb through piles of notes and analytical work on these topics, but I had the opportunity to do it and finally present this book to readers due to the support of Routledge. This monograph is a continuation of my previous book, also published by Routledge: *The Global Emerging Market: Strategic Management and Economics*. The main difference between the two books is in their focus. The first one concentrated on the theory of the global emerging market and its strategic application. The book which you have now in your hands focuses mainly on strategy itself: its theory, methodology, and strategizing practice. In this work, I do my best to prove that the general theory and methodology of strategy can be applied to any strategizing object, including world, national, and regional economies, and corporations, and can be useful in strategizing the universe of the life of any individual. Strategy actually begins with an evaluation of how individual values are reflected in the interests and priorities of the strategizing object.

The fledgling ideas for both of these books were born in the permafrost above the Arctic Circle in Siberia, where I began my professional life. As a metal worker and underground mining electrical engineer, my mind seemed to constantly return to my very first professional conundrum—why do workers with radically different levels of productivity, integrity, and initiative receive the same compensation? Later in my career, when I was promoted to the deputy head of a large high-tech company, I was frequently discouraged from creating substantial differences in compensation for employees by distinguishing between those who worked hard and showed initiative and work ethic, and those who simply counted down the minutes for the work day to end.

My career began 15 years after Stalin's brutal dictatorship and 5 years after Khrushchev's "thaw," a period when Stalin's cult of personality had been largely dismantled and Soviet leaders were regularly visiting capitalist countries for the first time. One of the greatest benefits of this relatively less brutal period in Soviet history was the availability of several books on economics and business, translated from English, German, and Japanese, such as Paul Samuelson's *Foundations of Economic Analysis*, Jay Wright Forrester's *Industrial Dynamics*, and John H. Hutchinson's *Management Strategy and Tactics*. These books, together with the conversations of a few Russian economists like Nobel Laureates Wassily Leontief and Leonid Kantorovich, as well as Leonid Abalkin, Abel Aganbegyan, Alexandr Granberg, and Valery Makarov, were the most

important intellectual role models of my early academic career. All of them, later in life, became my colleagues and friends.

One young economic-mathematician, Anatoli Alexeiev, helped to build in my mind a mathematical bridge between economics and technology. Despite the Soviet Union's backward economic system, its economic research capabilities were actually quite strong. In fact, Russian universities produced three Nobel Laureates in economics. With the aid of these books, and the insight gained from the experience of my surrounding social and business life and the preparation of my first Ph.D. dissertation, I began to analyze the success and failures of centralized economic systems. By the end of the 1970s, I found what seemed to be the fundamental flaw of any dictatorship: oppressive systems inevitably produce goods of lower quality than those of free countries due to a disregard for economic freedom. The Soviet dictatorship had an established system of planning and (often brutal) control, but lacked a means of positive motivation—one of the most important functions of any management system. This is the cause of the production of inferior goods, wide-scale environmental pollution, lower productivity, and the subsequent lower quality of life, poverty, and misery found in all totalitarian regimes.

Coincidentally, after I came to this conclusion, I was invited to work at the Russian Academy of Sciences, the premier Russian think tank established by Peter the Great in the eighteenth century. For a number of reasons—chiefly the secretive voting system used by its members—the Academy remained practically the only free institution in the Soviet Union (a position it still holds even though ironically the capability of the Academy was substantially diminished in 2013 by a decision of the Russian government to remove research institutes from its organizational structure). At the Academy, I began to calculate when—not if—the Soviet empire would disappear. Enriching the trends through analyzing the unofficial—i.e., undoctored—economic statistics, I tried to figure out how long the Soviet Union could survive. This was impossible to do without analyzing the world economy and the international political environment. At the beginning of the 1980s, when Prime Minister Margaret Thatcher and President Ronald Reagan, two ardent anti-communist leaders, came to power, they increased pressure on the Soviet dictatorship, primarily by exponentially increasing military expenses. It was clear to me that the regime's centralized economy could no longer bear the military expenses needed to maintain the strategic balance with the western world that was so important to Soviet leaders. In 1982, when Chancellor Helmut Kohl came to power with the goal of unifying Germany and, concurrently, Poland, the Soviet Union's largest satellite, began to experience intense tension from an internal democratic movement, the future became clear to me. I predicted that “by 1992, there will be no country called the Soviet Union,” which was the exact phrase later published in my op-ed piece in the *New York Times*.¹ For roughly two years prior to the publication of this piece, I tried to publish an article with the following blunt title: “Russia Should Quit the Soviet Union.” I sent a draft of the article to several publications, all of which either thought it was a joke, something for the distant future, or could not even conceptualize the difference between the Soviet Union and Russia, which were generally used as synonyms in the West at that time. The publication of this article was further hindered by the fact that I was forbidden to travel outside the Soviet Union to the free capitalist world. With great difficulty, I was eventually able to skirt this issue. Thanks to great friends like Karl zu Schwarzenberg, at that time president of the International Helsinki Federation for Human Rights, I found myself in Vienna in December 1988, discussing with him the history and future of our world. It is interesting to look back on that time; we both made several predictions, but

neither of us could have anticipated that he would one day become a citizen of the free, noncommunist country of the Czech Republic—a state that did not yet exist—and eventually a senator, minister of foreign affairs, and deputy prime minister.

It is often easier for people to foresee the future of countries than that of their own lives. Even Nostradamus, who saw centuries into the future, could not anticipate the death of his first wife and children. Finally, during my first trip to the United States, in 1989, I met with three great visionaries and journalists, a combination that is rather rare—Malcolm Forbes, Jim Michaels, and Laury Minard, the then leading editors of *Forbes Magazine*. They understood my perspective and, on February 5, 1990, my article entitled “Russia Should Quit the Soviet Union” appeared as a cover story in *Forbes*. At that time it was called a “revolutionary proposal.” It is always the case for strategists and forecasters, when they propose their ideas, that the overwhelming majority says they are wrong and their predictions are not realistic. When they do indeed become reality, it is natural for people to forget their initial skepticism.

When in late December 1992 the Soviet Union did disappear, Jim Michaels wrote in the sideline of *Forbes*, “When few thought the Soviet empire could ever break up, Vladimir Kvint predicted and advocated the withdrawal of the Russian Republic from the U.S.S.R....Kvint’s articles in *Forbes* on events in the Soviet Union have been close to prophetic.”

The reason that I mention all of the above is to show not only how difficult it is for strategists to enrich the right vision and strategic scenario, but also how it is of equal importance to stick to one’s own strategy. Only time can prove if a strategy is correct. I made this conclusion after almost four decades of experience not only as a professor, but as an executive and strategic advisor to companies from two worlds: developed and emerging market countries. Once a strategy is proven correct, do not look for applause from the crowd, but search out new strategies. The right strategy can be based on great intuition, but can seldom work without theory and deep knowledge of the issue at hand. And I hope that from this point of view, my book will be helpful for readers’ strategic observations and essential for practical use.

Vladimir Kvint
February 5, 2015
New York City

Note

- 1 Kvint, V. (1990). “Opportunities in Soviet Disintegration.” *New York Times*. October 28. Retrieved from www.nytimes.com/1990/10/28/business/forum-opportunities-in-soviet-disintegration.html

Part I

Strategy

Theory and Methodology

This page intentionally left blank

1 Uncovering Philosophical Roots for a Theory of Strategy

Practical wisdom secures us power over others.¹

Aristotle (384–322 BCE)

In the world of knowledge the idea of the good appears last of all, and is seen only with an effort.²

Plato (427–347 BCE)

For to be in a state of meditation is to be finished, while to exist is to become.³

Søren Kierkegaard (1813–1855)

Interrelationship between Philosophical and Strategic Thoughts

The importance of true strategic thoughts and strategy itself is often neglected or ignored in the modern world. While de facto strategic thought has been used for hundreds and thousands of years in military and governmental capacities, the knowledge and concrete understanding of the phenomenon of strategy didn't exist. This is why the genealogy of strategy is explored later in the chapter. Strategy still remains surprisingly underestimated, misused, or misunderstood within certain powerful corporations, governments, and military bodies. Even successfully navigating one's personal life requires a strategic mindset and rules of strategy development and implementation. It is my argument and contention that aspects important to this strategic mindset and strategizing practice can be taught. This book aims to provide the philosophical roots and historical background to the theory of strategy, as well as important strategic considerations for modern entities, in order to bring strategy to the forefront of corporate, governmental, and military decisions—where it must remain in order to ensure success in the complex global community. Major failure in all of these spheres of humankind's activities can be attributed to the prevalent attention to tactical and operational decisions and routine, instead of focusing on the enrichment of long-term strategic solutions and vectors to success.

Beginning with the works of early strategists, such as Roman leader and author Frontinus and Emperor Maurice (539–602 CE), the theory of strategy has sporadically developed over the past 2,000 years in leaps and bounds; however, strategy is still very much a work in progress. In this book, I attempt to systematize the building blocks of classical, modern, and contemporary works to ground strategic theory and practice. Strategists and leaders must seriously study, analyze, and comprehend the different categories of strategic thought and their practical vision must be perfected during the processes of strategy development and implementation. In order to do this, it is necessary to incorporate major

4 *Strategy: Theory and Methodology*

issues within ancient philosophical and classical analytic military works into our modern-day decision-making processes in any field of leadership. The theory of strategy, like any other theory, must be learned from the beginning. Modern and upcoming leaders can learn a great deal from these ancient works written during strategy's birth, and from a sustained inquiry into the genesis of strategy in the ancient world up to now.

While there are certain major distinctions between philosophical thought and strategic thought, the pair together forms a complementary whole. In order to explain the importance of philosophical study in successful strategy development, I must turn to my own experience, growing up and maturing under the influence of dialectical materialism, which was the basis of Marxism. At that time, my intellectual worldview was above all influenced by the works of Aristotle, Spinoza, along with other metaphysicians, but also by the philosophical idealism of Hegel and the ancient philosopher Philo of Alexandria. My intellectual development within these philosophical traditions, as well as my now 40 years of experience in strategy development and implementation—strategizing—led to my conclusion that a strategist's way of thinking should form a complete and undivided consciousness in substantial agreement with a philosophical worldview.

Strategists aim for a holistic and interconnected world perception; in this way, both a great depth of vision and an evaluation of environmental realities and facts unite both philosophers and strategists. However, philosophers are concerned with truthful statements that are verified by facts and, in this way, are somewhat distinct from strategists, who are more concerned with the future reality yet to be determined. For strategists, facts cannot be ignored, but they hold less importance than for philosophers. Of course, correctly understanding events through strategic thinking can, to a lesser extent, validate selected strategic perspectives and scenarios. Strategists can ignore current facts since they must ultimately look into the future, where current events can be forgotten, considered not related at all, or hold less influence on future "realities" than previously envisioned. Strategists work to establish new strategic perspectives, priorities, and scenarios where current facts do not exist and future facts will remain mostly mysterious, even to strategists with a long-term vision. Most future facts at the period of strategy development cannot be known; this is why strategists and philosophers differ in how they analyze and make conclusions regarding these facts, and in the way these facts are incorporated into their findings. Strategists need facts, which always belong to the past, for analysis, and not necessarily for inclusion in any formal strategic scenario.

Strategic and philosophical thoughts also originate from slightly different traditions and schools with various levels of maturity. No one science is as mature as philosophy. Strategy as a theory, in contrast to the majority of other sciences, has not yet gone far beyond its infancy. Philosophical ideas typically begin with abstraction and involve few, if any, practical examples, except for the field of ontology, which is much closer to strategy than any other philosophical analysis. The initial observation of Plato (427–347 BCE) that the world is not perfect is purely an ontological one, which for me is a statement of his interpretation of facts. In contrast to other philosophical schools, strategic thought is primarily rooted in concrete examples used to prove strategic accuracy. As Napoleon (1769–1821) said:⁴

Tactics, evolutions, and duties may be learned in treatises, but the science of strategy is only to be acquired by experience, and by studying the lessons of the campaigns, of the great captains. These lessons have been to keep one's forces united; to leave no weak part unguarded; seize with rapidity on important points; and to inspire terror

at the reputation of your arms, which will at once maintain fidelity and secure subjection.⁵

In this text, Napoleon explicitly recommends that leaders not only make conclusions through theory, but through their strategic experience, as well as through studying other leaders' campaigns. Unlike Napoleon, philosophers generally focus less attention on practice, often purposefully preferring theoretical thought over the practical application of their ideas. Confucius (551–479 BCE) wrote: "By three methods we may learn wisdom: first by reflection, which is noblest; second by imitation, which is easiest; and third by experience, which is the bitterest."⁶

At first glance, these two geniuses—Napoleon and Confucius—directly contradict each other. Confucius reflects on wisdom and how to obtain wisdom, while Napoleon speaks about strategy. A deeper analysis shows that, in fact, they are speaking about distinct characteristics of the same phenomenon. Both discuss different qualities of strategists and strategies, but address the same subject. By combining their two ideas, we can establish a soft definition of strategy:

Strategy is wisdom with a defined vector to success and with an assessment of resource limitations.

From this point of view, a strategist's way of thinking and categorizing is closer to an ontologist, who studies fundamental rules and principles of reality, both economic and social. Strategy as a science, unlike philosophy, has developed less rules and categories in its terms, theories, methods, and methodology. My studies in strategy and philosophy have led me to conclude that some of the major categories of ontology, like time and space, are also predominant in strategy, both as a science and a practice. From this point of view, the philosophical roots of strategy can be found in the works of Plato (and his ideas inherited from Socrates), Aristotle, Parmenides, and, later, Descartes, Spinoza, Heidegger, and other metaphysicians working on rationalism, empiricism, and organicism. These roots are all anchored in ontology.

It is even more theoretically interesting and practically important to analyze the thoughts of great philosophers and strategists who lived in the same historical periods and in the same parts of the world. Some of the earliest recorded sources of this kind are the works of the masterful strategist Sun-Tzu (544–496 BCE) and the philosopher Confucius, who both lived in the sixth and fifth century BCE. Naturally, there is a danger in analyzing works that are over 2,500 years old and written in an ancient language. There is also the problem of the original text. Sun-Tzu's works were compiled and rewritten about 400 years after he lived by Sima Qian (145–86 BCE), known as the Grand Historian. Translations of ancient works also vary depending on the translator. For instance, in Sun-Tzu's *The Art of War*, Ralph D. Sawyer and Mei-Chun Lee Sawyer translate a line in [Chapter 1](#) about the five major qualities of the commander during wartime: "The general encompasses wisdom, credibility, benevolence, courage, and strictness."⁷ This same line was translated by John Minford in 2002 to read more poetically:

Command is
Wisdom,
Integrity,
Compassion,
Courage,
Severity.⁸

This example illustrates how difficult it is for scholars to find the correct meaning in the writings of great ancient philosophers and strategists. In the above quotes, one ancient word is translated in two different ways: “credibility” by Sawyer and “integrity” by Minford. These words are similar, but they do have different meanings, especially for strategists. Credibility is related to how people perceive others in terms of truthfulness, which is one of the most important rules and principles for strategists. Integrity represents internal qualities of virtue. Credibility comes with integrity. It is an error to conflate the two terms. If a strategist agrees to develop a strategy to produce weapons of mass destruction, there must be credibility in their work. If the strategy goes against the strategist’s own moral code, he should not agree to develop such a strategy. If he does agree, he has to put aside the issue of moral integrity and work only towards credibly implementing the strategy. These are just some of the pitfalls facing strategists who study ancient texts in order to apply their words to contemporary understandings and practices. In [Chapter 2](#) of this book, a discussion of Rule 8 will return us to this complex issue.

Nonetheless, this quote references what are known as the cardinal Confucian virtues: humanity (here as compassion), wisdom, and sincerity (here as integrity). Even from this short quotation, it is clear that deep strategic thoughts are always drawn in to the same categories that provide the basis of philosophical processes of thought and a deep understanding of reality. Moreover, it is even more interesting to note that Aristotle, who lived about 150 years after Sun-Tzu and Confucius in a very different part of the world, and who obviously did not know about them, mentions the same basic categories as well. Even with very different backgrounds and practice, they all identify ideas using the same categorical concepts. Their relationship to their states’ and regions’ military practices unifies all three of these geniuses. Many of Aristotle’s thoughts that we consider strategic most probably originated from teaching Alexander the Great (356–323 BCE) and analyzing his victorious practice (“praxis”). Sun-Tzu, by comparison, analyzed using his military years as a commander. Confucius most likely also analyzed the rules and experiences of the principalities in which he lived. Confucius, who occupied different positions in government, lived during a time when several dynasties were simultaneously at war. These warring factions must have informed his strategic analysis. Thus, certain brilliant philosophers and de facto strategists understood the complex and important link between their two domains of thought.

Despite the fact that most philosophers do not make distinct recommendations for strategy, their ideas communicated through philosophical tractates, or treatises, can still enrich strategic practice. Modern strategists can improve their practical experiences and expertise through analyses of historical and contemporary leaders’ work and achievements. If practitioners, statesman, military generals, and business executives study the experiences of famous successful military, political, and business leaders, then theoretical strategists will create methodological recommendations from both theoretical works and their practical applications. In addition to the above-mentioned *Art of War* translated by Ralph Sawyer and John Minford, I read an old Russian translation by the late Professor Nikolai Konrad, a member of the prestigious Russian Academy of Sciences. Konrad translated the title of Sun-Tzu’s book as *A Tractate of Military Art*, alluding to the philosophical nature of the work. After reading all three of these translations, the title that makes the most practical sense to me would be *A Strategy of Power*. In today’s world, the book is not often used in warfare, but is highly regarded in the business domain. The continuing legacy of Sun-Tzu’s work comes from its application not only for business and military leaders, but also for anyone interested in strategic power. It is a useful text for any individual who wants to direct his or her personal path.

Outstanding leaders like Alexander the Great and Napoleon honed their distinguished ability by first studying theoretical works or listening to great teachers. Only after first studying did their military experience improve. The father of Alexander the Great, Phillip II of Macedon, could not find a better teacher for Alexander than the greatest philosophical mind of all time, Aristotle. Napoleon often remembered his teachers at the *Ecole Militaire* (Military Academy) with fondness.

To continue studying the epistemological roots of strategic thought and its appropriate translations from ancient languages, it is useful to address related issues in sacred texts. Even the most read texts in the world that in essence discuss the subject of strategy have multiple translations, some of which use the term *strategy* and some of which do not. For example, the Old Testament, a sacred text for both Jewish and Christian religions and a substantial text for Islam as well, describes strategic issues. In 2 Kings 18, Hezekiah, the legendary king of Judah, sends a representative to the king of Assyria with a message that emphasizes his “strategic” advantage. The Assyrian king is impressed and sends his field commander to ask, “You say you have strategy and military strength—but you speak only empty words. On whom are you depending, that you rebel against me?” (2 Kings 18:20).⁹ Even then, a strong leader was considered equally important to military power and strategy! However, this sentence reads differently in the seventeenth-century King James English translation: “Thou sayest, (but they are but vain words,) I have counsel and strength for the war. Now on whom dost thou trust, that thou rebellest against me?”¹⁰ One translator uses the word *strategy*, while the other uses “counsel.” However, we can deduce that, at least in this instance, “counsel” represents sound strategic advice. Otherwise, there would be no reason for Hezekiah to mention it alongside—and even, in context, as more important than—military power. As modern readers, it is important to assess these translations to the best of our abilities while paying attention to the context in which related terms are used.

Theoretically speaking, Hezekiah was correct to put strategy (or strategic advice) ahead of direct military power. Sun-Tzu similarly said:

Therefore, to gain a hundred victories in a hundred battles is not the highest excellence; to subjugate the enemy’s army without doing battle is the highest of excellence.

Therefore, the best warfare strategy is to attack the enemy’s plans, next is to attack alliances, next is to attack the army, and the worst is to attack a walled city.¹¹

Gaius Julius Caesar (100–44 BCE) said something resembling Sun-Tzu’s idea (according to translator John Carter) almost 500 years later, and most probably without any knowledge of either his works or the words of Hezekiah:¹² “To win by strategy is no less the role of a general than to win by arms.”¹³ In 1869, W.A. McDevitte and W.S. Bohn translated this same work by Julius Caesar, using the word *tactic* and not *strategy*. The term *tactic* is often described as a component of the larger term *strategy* (although the two are very different in terms of time horizon and ways of thinking), which is a plan that can encompass many tactics, although these definitions once again become unstable when using translations of ancient texts. In fact, in Book I of *Civil Wars* (50 BCE), from which this quote is excerpted, there is no mention of “strategy” or “tactic” at all. Caesar wrote: “cur denique fortunam periclitaretur? Praesertim cum non minus esset imperatoris consilio superare quam gladio.”¹⁴ Caesar employs the word *consilio*, which represents a “victorious idea” (of a strategic or tactical nature), and not about the use of physical force by

the commander. Furthermore, Caesar could not have even used the term *stratagem* because Sextus Julius Frontinus (40–103 CE) coined this term about 100 years later in the first century CE.¹⁵

Sun-Tzu, Hezekiah, and Caesar all came to the same conclusion: Great strategic ideas (derived from the term *counsel*) are more powerful than armies and more destructive than victories on the battlefield. Even in contemporary times, strategy is more powerful than basic economic factors in national economies with enormous natural resources. This is the result of talent, wise and educated leaders, and the use of professional strategists' recommendations. This idea is similarly found in several sacred texts: for example, in the Qu'ran, God gives advice to Mohammed to seek counsel from his companions, "O Mohammed, when you are going to do any work, or when you are confronted with an important matter, confer with your companions."¹⁶ Sun-Tzu became the first known professional strategist and adviser (to his ruler), and was eventually appointed head of the army by the leader of his principality. Because of the successful implementation of his ideas, Sun-Tzu's text survives as a practical guide to strategy. Many others, like Hezekiah and Caesar, consistently relied on advice from others in making their own decisions.

This is in contrast to Stalin, who relied on his own sense and knowledge, which was obviously not enough to build a correct and winning strategy—at least at the beginning of the war. Stalin had no vision to predict Hitler's advances. The same problem of not taking counsel seriously also arose when Anna Ioannovna, the niece of Peter the Great who became empress of Russia in 1730, succeeded to the Russian throne. Upon her ascension, the nobility—through the Russian Privy Council—issued strict conditions for her to rule the country as a constitutional monarchy. These conditions stated that, in order to keep the country cohesive, whole, and prosperous, the empress had to rely on advice. She initially agreed, but immediately upon succession to the throne, she publicly ripped up the document and became a free-wheeling absolute monarch, driven by her own will and influenced by her lover. As a result, her ten-year reign was not very successful.

Any leader with a strategic mindset and a wealth of experience understands how to use strategic ideas, and not extensive use of weapons, capital, natural resources, or labor, to win battles or positions of power. Roman statesman and commander Sextus Julius Frontinus dedicated the first two chapters of his obscure book *Stratagems* to the power of the essentially strategic plan; in these chapters, he states that the most important component of strategy is keeping one's strategy concealed while finding out the opponent's plan. In order to understand the difference between strategy and "stratagems," it is best to go to the source of the latter term, Frontinus:

Let them remember to discriminate between "strategy" and "stratagems", which are by nature extremely similar. For everything achieved by a commander, be it characterized by foresight, advantage, enterprise, or resolution, will belong under the head of "strategy," while those things which fall under some special type of these will be "stratagems." The essential characteristic of the latter, resting, as it does, on skill and cleverness, is effective quite as much when the enemy is to be evaded as when he is to be crushed.¹⁷

The translation of this quotation from Frontinus into English is too liberal with its usage of the word *strategy*. The translator erroneously attributes the word *strategy* to Frontinus,

which he never used directly. Frontinus did not know this term or at least did not use it in his writings.¹⁸ Nonetheless, in 2013, Winged Hussar published *Stratagems* with the subtitle “The Roman Strategy at War.”¹⁹

For the particular description of these two terms, listed above as “strategy” and “stratagems,” Frontinus used the Greek στρατηγικῶν and στρατηγημάτων. A precise translation of these terms into English would be “generalship” and his own term *stratagems*. From my perspective, “generalship” has some elements of strategy within its definition. But it is mostly the high-level operational and tactical activity in the chain of command. Of course, the translator has some contextual basis for using this term *strategy*, but according to my findings, this term in its adjectival form was only born centuries later during the Byzantine era. It is one more example of how one should be wary of any translation that may take away from the author’s original meaning and word choice.

Frontinus developed and systematized his own stratagems into twelve categories:

1. On concealing one’s plans
2. On finding out the enemy’s plans
3. On determining the character of war
4. On leading an army through places infested by the enemy
5. On escaping from difficult situations
6. On laying and meeting ambushes while on the march
7. How to conceal the absence of the things we lack to supply substitutes for them
8. On distracting the attention of the enemy
9. On quelling a mutiny of soldiers
10. How to check an unseasonable demand for battle
11. How to arouse an army’s enthusiasm for battle
12. On dispelling the fears inspired in soldiers by adverse omens.²⁰

The majority of these twelve categories are mandatory for any strategist and any strategic analysis. Nobody questions today that one’s strategy must be kept confidential from enemies or competitors. It is clear from Frontinus (as from the earlier works of Sun-Tzu and Caesar) how important it is to know the plans of your adversaries, who hope to topple Stratagems 1 and 2. Any strategist also always tries to develop a strategic plan while avoiding difficult situations (Stratagem 5). Strategic motivation is one of the three major strategic management functions (Stratagems 11 and 12). Or, as Stratagem 8 states, “distracting the attention of the enemy” or a competitor. Some of these stratagems, like numbers 9, 11, and 4 (to a degree), have more tactical characteristics than strategic. Nonetheless, Frontinus could not underline differences between strategy and stratagems because stratagems by essence belong to the core of strategy. On the other hand, *generalship*, the term he actually uses in the text rather than *strategy*, has little strategic meaning. This is why Frontinus discriminates between “generalship” and “stratagems,” and why it is useless to distinguish between “strategy” and “stratagems.”

After searching without success for the actual term *strategy* in the works of Caesar, Frontinus, and other early authors, I finally turned to Emperor Maurice, the Byzantine ruler from 582 to 602 CE, as one of my last hopes of finding any usage of the term in sources dated earlier than the nineteenth century. This proved to be difficult, as we do not know the original title that Maurice intended for his work, today known as *Strategikon*. The earliest known copy of this treatise was written in the tenth century about 300 years after Maurice’s reign, and was commissioned by the Byzantine Emperor

Constantine VII without mentioning Maurice's title.²¹ The original title in Ancient Greek was “Οὐρβικίου τακτικά στρατηγικά,” which contains the words *tactic* and *strategic*. The librarian of Cardinal Barberini created the first version of this work under the name *Strategikon* in 1664, more than 1,000 years after the death of Maurice. Once again I did not succeed in finding any earlier usage of the term *strategy* before Maurice used the term *strategic* as an adjective.

Though the etymology of the word is unknown,²² descriptions and applications of strategy are present throughout *Strategikon*. Book II of this treatise, titled “The Calvary Battle Formation,” contains the meaning of strategy (not the term itself) in a sentence that rightly connects the category of “strategy” to two of its major, predominant qualities: time and space.²³ Maurice states, “Strategy makes use of times and places, surprises and various tricks to outwit the enemy with the idea of achieving its objectives even without actual fighting. Strategy is essential to survival and is the true characteristic of an intelligent and courageous general.”²⁴ At the beginning of Book VII, the author differentiates between “tactics” and “strategy,” stating: “A ship cannot cross the sea without a helmsman, nor can one defeat an enemy without tactics and strategy.”²⁵ Later in the same section, the translator uses the term *generalship* as a synonym for strategy, a practice I have noticed with other authors and translators as well.

The authorship of *Strategikon* is sometimes called into question. For me, the detailed attention given to economic resources as well as the maintenance of well-stocked and supplied troops help to prove that Maurice is the author. Many other notable contemporary authors mistakenly do not pay such close attention to these economic and organizational issues. This detail belongs more to a statesman than to military leaders. Maurice started his military career as a successful general at an early age, leading a victorious campaign against the Sassanid Persian Empire. After he became emperor, he continued his military triumphs against the Sasanians, as well as the Avars, Balkans, and other tribes found in modern Italy and North Africa. His great military battles, followed by many years of state rule, were the experiential basis for his treaty. More than one and a half millennia later, his book is still relevant. In the following example, Maurice combines his experience as a field commander and a statesman to provide useful advice for even modern-day military strategists. Before a direct confrontation with an enemy, Maurice recommends:

To try simply to overpower the enemy in the open, hand to hand and face to face, even though you might appear to win, is an enterprise which is very risky and can result in serious harm. Apart from extreme emergency, it is ridiculous to try to gain a victory which is so costly and brings only empty glory.²⁶

Throughout *Strategikon*, Maurice demonstrates that his strategic conclusions are drawn not only from his vast experience, but also from the achievements of many ancient strategic giants, such as Hannibal. In the way that he evaluates victories via strategy, Maurice is similar to Sun-Tzu, King Hezekiah, and Caesar.

Without a doubt, the works of Frontinus and Emperor Maurice belong to the fundamental beginnings of the theory of strategy's development, which is still, almost 2,000 years later, “under construction.” Strategists and leaders have to seriously inquire into and comprehend the categories of “stratagem” and their historical precedents in order to perfect modern processes of strategizing. Strategists and leaders have to be prepared to be efficient strategizers, especially because of the new conditions developing and

dominating the knowledge economy, the new phenomena of the twenty-first century—the global marketplace and the global community (which will be discussed later in the book and especially in [Chapter 5](#)). For any success, resources that are often in short supply are almost always needed, but resources are still less important than efficient strategy. In an integrated global marketplace (GMP), a modern phenomenon that will be defined in the next section, any artificial self-isolation—or autarchy—cannot increase the efficiency of an economy or a population’s standards of living in any country. Effective strategy must always be oriented to the integration of nations within the global community and the cooperation of companies on the GMP. Moreover, in the process of this integration, the role and scale of natural resources is declining in comparison with the wide use of quickly updated technological improvements and innovations. This means strategic thought is more important than ever before, even if it is not as prevalent as it must be.

Development of Strategic Ideas into Theory and Methodology

As we have seen, strategy as an idea has been used for most of recorded history, and at least since Ancient Greece and China. However, the term *strategy* has gone through considerable changes in definition over the past 200 years and has outgrown its original connotations. If you ask a hundred people to define strategy, they will most likely respond in a common theme: it is about critical issues and it concerns the future. But the majority (including some military and business leaders and statesman) will also make strategy a synonym for many other concepts that either preceded or are derivatives of strategy, contain elements of strategy, or may not be related to the actual essence of strategy at all. Most people use the word *strategy* to define all operational or practical decisions and activities, and, often, subtle distinctions between operational, tactical, and strategic decisions are lost. Moreover, professionals in the theory and practice of the decision-making process, as well as in all fields of human activity, also quite often use the word *strategy* incorrectly. Many professionals incorrectly use terms like *forecast*, *prediction*, *strategic plan*, and *strategic vision* as synonyms for strategy.

The problem with the early writers on issues related to strategy—like Sun-Tzu, Thucydides, Frontinus, and other authors prior to Generals Carl von Clausewitz (1780–1831) and Baron Antoine-Henri Jomini (1779–1869)—is that translators too freely use the term *strategy* when the original authors did not use this term at all. The ancient books on strategy were certainly talking about the essence of strategy, but never used the term outright. Emperor Maurice used the word *strategic* in his writings, as demonstrated earlier in this chapter. In the work of another Byzantine emperor, Leo VI the Wise (866–912), who seems to have substantially borrowed ideas and other elements from Emperor Maurice’s text, you can also find the word *tactic*, which he used to describe some strategic issues. This emperor had authorized 60 books, found today in Greek under the unified title *Basilika*. One of these books, *Tactica*, describes tactical policy, interspersed with strategic issues. This is more proof that tactic is a much older applied science (Thucydides’s use of this term is discussed later in this chapter) than strategy. However, the concept of strategy can still be found, to some extent, in these early works, even if it is not accurately defined. Emperors Maurice and Leo the Wise used the word *strategikon* and, before them, Frontinus implemented the term *stratagem*s. Both terms are better translated and understood as “generalship.” This translation should relate very well to today’s notion of “management,” but

I would argue that the word *generalship* is not *strategy* in the fullest meaning of these two terms. This has been a long-standing “disagreement” among many different translators.

Originally, the term “strategy” was used to describe the actions of a military commander making serious military decisions. Later, the term began to be used to describe the decisions made by any high-ranking military officer, from a general decision in a long-term war to the reallocation of forces in a particular battle. During the twentieth century, strategy took on a new definition for business and corporate long-term decision-making processes.

In the middle of the twentieth century, business executives reignited a newfound interest in historical strategic books. The works of Sun-Tzu and Miyamoto Musashi (1584–1645), a seventeenth-century Japanese samurai, became particularly popular. Strategists started to develop two distinct and usually separate fields: business strategy and military strategy. By the end of the twentieth century, theory and strategic practices were divided into three main categories: military strategy, business strategy, and state strategy, often called “grand strategy.” This last term primarily addresses the strategy of national and regional governments, outside of the military, who protect and help develop national values and state strategic interests. This is why newfound interest in the old concept of strategy brought modern readers to very old, and from time to time almost forgotten, books. In the nineteenth century, several military commanders and officers wrote memoirs that described large-scale decision-making methods and the development of a long-term vision and, in essence, strategy.

It is our loss that most of the ancient great military commanders did not leave behind written records of their vision or descriptions of their strategies. The materials we do have were mostly written generations after these leaders lived. For example, Quintus Curtius Rufus, who wrote extensively about Alexander the Great, completed his works over 400 years after Alexander. There are some notable exceptions, such as Gaius Julius Caesar. In the modern era, Napoleon Bonaparte also left behind his military legacy in his letters, memoirs, and in his *Military Maxims*, even though he did not write a systematic work on strategy.

The military historian Theodore Ayrault Dodge (1842–1909) once named Hannibal “the father of strategy.”²⁷ This is somewhat inaccurate for two reasons. For one, the chronology is incorrect; both Sun-Tzu and the great historian Thucydides (460–395 BCE) wrote rules and recommendations that could be defined as strategic 150 to 250 years before Hannibal (247–between 181 and 183 BCE). Alexander the Great also demonstrated brilliant strategy roughly more than 100 years before Hannibal. Second, we do not have any writings by Hannibal himself.

There are several books from the middle to late nineteenth century that describe the methodology of strategy. The most profound of these books is *On War* by Carl von Clausewitz, which was published posthumously in 1832. General Antoni-Henri Jomini wrote another historic work dedicated to strategic issues around the same time as Clausewitz. In their written words, it is possible to observe the strategic vision of leaders who could implement their strategic knowledge into practice.

Baron Jomini was initially a Napoleonic general (and was awarded both of these titles—baron and general—by Napoleon himself) before becoming a Russian general in 1813. He was a well-regarded commander and teacher at the Academy of the General Staff of Russia. His second book, *Précis de l'art de la guerre: Des principales combinaisons de la stratégie, de la grande tactique et de la politique militaire*, was published in 1822 in French.

A Russian edition was released in 1840 and an English version came out in 1862 with an erroneously translated title, *The Art of War*.

In the 1840 Russian edition, Jomini defined strategy as “all thoughts combin[ing] the theater of war.”²⁸ The definition includes thirteen factors:

1. Determining the particular location for the theater of war.
2. Selecting and establishing a permanent base of activity.
3. Defining a subject of activity, both for the offense and the defense.
4. Choosing a decisive location for the theater of war.
5. Establishing fronts of activity and the defensive lines.
6. Choosing the roots of activities, which lead to the front of activity.
7. Selecting the best strategic lines for a particular activity. This includes different maneuvers to unify all lines related to this activity.
8. Timing all activity and strategic reserves.
9. Correctly maneuvering the troops.
10. Storing supplies close to the armies’ movements.
11. Considering fortresses as a strategic location for protection of an army, or as a barrier in defensive tactics.
12. Enforcing army camps and bridges to these camps.
13. Sabotaging separate army units.²⁹

After defining these factors, Jomini differentiated between “strategy” and “tactic.” Immediately following his definition of strategic elements, he wrote, “[T]he second branch of military art is tactic. It unifies the movement of the army on the day of a battle and the different configurations of military branches during offenses.”³⁰ Jomini also separated a third component from both strategy and tactic: logistics, or the practical movement of an army.

Baron Jomini’s division of strategy, tactics, and logistics was innovative for his time and has led to disputes and discussions among scholars and professionals familiar with his work. On the division of strategy, tactics, and logistics, Jomini wrote:

[M]any pointless disputes took place regarding the limits of these three different branches. According to my definition, strategy is an art that allocates military activities over a geographical space but still keeps them united in a theater of war. Tactic is the art of fighting within that space while also having an escape route ... this space is a territory of 12–15 km.³¹

This additional definition of strategy perfectly unifies all the essential elements of strategy, and clearly discriminates strategy from tactic and logistics.

Jomini is one of the first modern authors to use the term *strategy*—not *stratagem* like Frontinus, or *strategikon* like Emperor Maurice. After all my research, I have concluded that the term *strategy* should be credited together to Maurice and Napoleon and to Jomini and Clausewitz. Napoleon, Jomini, and Clausewitz wrote roughly during the same period and come from similar military backgrounds. The books of Jomini and Clausewitz can be considered alongside the legacies of leaders such as German Field Marshal Count Helmuth von Moltke (1800–1891) and Chancellor of the German Empire and Prussian Minister President Prince Otto von Bismarck (1815–1898), among others.

No one before Jomini so clearly delineated the meaning of strategy from tactics and logistics. This contribution is difficult to underestimate. Yet in modern strategic studies he is relatively unknown compared to Clausewitz or Helmuth von Moltke. It is my hope that this book will bring a little more recognition to this theorist and practitioner of strategy.

Due to increased interest in strategy during the twentieth and twenty-first centuries, scholars and writers began to use the works and writings of ancient historians in their strategic studies. In fact, these books are almost entirely dedicated to recording history with only indirect descriptions of strategic practices as they relate to various wars. While it is most certainly helpful to use ancient authors and historical texts to illustrate strategic ideas and thoughts, using such works as strategic textbooks will mislead readers. The best example of this kind of book is Thucydides' *History of the Peloponnesian Wars*. Reading carefully through this book, I could not find one sentence with the term *strategy* in it; obviously, this word was not in Thucydides' vocabulary. However, this outstanding historian of antiquity uses other terms like *tactic* and *policy*. From my point of view, the term *tactic* was used by Thucydides rarely but accurately to describe tactical issues, like the application of military forces during battle. The word *policy* was used more often but less precisely, and illustrated concepts strategic in character. However, the term *strategy* cannot be found.

The History of the Peloponnesian Wars has a connection to state and financial policies, but less so than Sun-Tzu's book *The Art of War*. Sun-Tzu makes it absolutely clear that strategy can address any public activity of state and regional governments and financial and supply practices, not just military activity. Thucydides' book, as well as Sun-Tzu's, is a good source for strategists to find examples of strategic decisions executed by ancient leaders.³² This literary historical text also contains an analysis of the ruler Minos' leadership. Minos was "the first person known to us by tradition as having established a navy ... He made himself master of what is now called the Hellenic sea, and ruled over the Cyclades, into most of which he sent the first colonies, expelling the Carians and appointing his own sons governors; and thus did his best to put down piracy in those waters, a necessary step to secure the revenues for his own use."³³ Minos implemented this idea, strategic by nature, for state purposes, collecting taxes and revenues, and to dominate regions around the Cretan islands by establishing a permanent fleet. He was the first known ruler to use his fleet and navy for this governmental routine purpose, and not just for military victories. Even though Thucydides, as already stated, never used the word *strategy*, it is evident from his work that Minos was a strategist. We can only share this view of Minos because Thucydides' description of this hero was strategic. Even if Minos did not exist, Thucydides himself underlined the importance of Minos' activity as a statesman, and not just a military commander, which was strategic in nature. According to Thucydides, Minos was also the first one who used a sea fleet as a means of communicational service and delivery: "[A]s soon as Minos had formed his navy, communication by sea became easier, as he colonized most of the islands, and thus expelled the malefactors."³⁴ Minos' strategic talent stretched far beyond war, and helped to improve and change daily life in Knossos years before Agamemnon came to power as commander during the Trojan War. Both Minos and Agamemnon enjoyed continued strategic success by encouraging neighboring leaders to join them on mutual expeditions that resulted in a communal fleet that could be used by all for shared benefits. This is clearly described by Thucydides, without using strategic terminology or correctly defining this particular talent of Minos. However, Thucydides did highlight that "through the possession of a fleet" Agamemnon did eventually increase his power.³⁵ Even more, from the way Thucydides described the activities

of Minos, we can say he was also the first strategist to discover the idea of regional economic integration and to implement this concept of power by marshaling his fleet. This last quotation by Thucydides leads us to the conclusion that strategy is not an automatic and major characteristic of dictators and their regimes: “[W]herever there were tyrants, their habit of providing simply for themselves, of looking solely to their personal comfort and family aggrandizement, made safety the great aim of their policy, and prevented anything great proceeding from them; though they would each have their affairs with their immediate neighbors.”³⁶

The roots of strategy can also be found in sacred texts such as the Torah, the New Testament, and the Qu’ran, among few others. Leaders like Moses—whom all three monotheistic religions claim—had a strategy. At the start of his leadership, he received a “strategic mission” and objectives from God. After the exodus from Egypt and during the journey to the Promised Land, he developed his own strategic goals and scenarios. The successful strategy he developed to win several military battles allowed him to implement his appointed divine mission as well. Even for people who do not belong to one of the three monotheistic religions, or any religion at all, it is important to study these texts from a strategic point of view. The successful strategies of Moses, his successor Joshua, King David and King Solomon teach us valuable strategic lessons today.

Readers can and do challenge me for using the Torah and the New Testament as historical texts for use in strategic practice. However, archeological findings—including the caves in Qumran—continuously show that these religious texts should also be taken seriously as historical texts, as they include deep history from at least 2,000 years ago. Sun-Tzu represents the best Chinese military strategy of his time, though due to its later popularity in Japan and Korea, it can be more broadly considered a representation of East Asian military strategy. Strategic practices found in major religious manuscripts, as well as in the books of Sun-Tzu, can be considered the beginning of historical strategy and the original sources on the theory of strategy. Confucius lived during the same time as Sun-Tzu and several generations before Aristotle and Alexander the Great; these great men all belong to the history of strategy. The philosophical works of Aristotle and Confucius contain the seeds of theoretical ideas of strategy. Even Homer’s epic poems the *Odyssey* and the *Iliad* hold deep thoughts that are strategic by nature and depict examples of efficient strategic decisions. It is obvious that sections of these epic poems are historically accurate and represent authentic uses of strategic elements by real strategists, whether or not they were successful.

Marcus Aurelius was another colossal figure of the ancient world who combined the roles of statesman, philosopher, and military leader. Unfortunately, his philosophical works have been greatly undermined in literature and his work in defining and developing strategic ideas have not been given enough credit. I consider his books to be extremely important when understanding several major strategic categories, including objectives, goals, and the quality of strategic leaders.

Even famous quotes from many great strategists and statesmen were often taken from secondhand sources, leading to some doubt about their authenticity. However, strategists should be grateful for the original material we do have in writings that were not specifically devoted to strategy. Napoleon, who dictated his memoirs, did not leave (as stated before) any thoughts behind that could be classified as a direct systematic concept of strategy. But we do get an understanding about his strategic mindset from points made in his writings and letters, be they to his compatriots, colleagues, or lovers. A few strategic points can even be found in his love letters to Empress Josephine!

Another very valuable source of strategic thought can be found in the work of the contemporaries of great strategists, though they are also rare. Most often we find the works of great strategists in written accounts that came centuries later. For instance, the work of first century writer and consul Quintus Curtius Rufus is a work of deep history, but it was still written at the considerable distance of four centuries from his source material. To give some context, it is the same chronological gap that exists between Steve Jobs and Peter the Great.

Lack and Necessity of Strategy in the Twenty-First Century

A population's well-being, and even a nation state's existence, necessitates a long-term strategy. Generally, a strategic horizon should be at least 10 to 20 years into the future, but can be projected as much as 50 to 100 years ahead. The closer to the present, the more detailed a strategy must be. The proper use of strategy could potentially prevent a state from suffering through tremendous turmoil or falling into total collapse. State and national strategy must contain viable scenarios for both peace and war, as well as for post-war recovery and changes in reserves and in the resources of basic economic factors. Scenarios should be based on predictions of possible revolutionary changes in technology due to upcoming scientific achievements or tenable forecasts that provide a visible understanding of upcoming future consequences. National strategy requires scenarios for the most difficult *force majeure* times: ecological catastrophes, drastic climate changes, declines in agricultural productivity, unexpected mass diseases, or defense preparation to face aggression from any country worldwide. In addition, both current politics and contemporary individuals in power constantly influence strategies. As Napoleon said, "The great difficulty with politics is, that there are no established principles."³⁷ Strategy must have principles, regardless of the politics. The development of strategy begins with an analysis of a population's values, which transform into national interests. Through understanding and redefining strategic principles and interests, values are enriched into major strategic priorities. This is why politics only complicate the process of strategic development. There is a huge difference between politics and strategy: strategy requires principles. A strategy without principles is a strategy that cannot be successful in the long run. If a politician interrupts the development, implementation, or enforcement of a strategy, this interruption must be economically prized.

In the middle of the nineteenth century, as described above, the theory of strategy as a specific subject of research and application initially appeared only in military theoretical and analytical studies. Generals Jomini and Clausewitz began to systematize previously existing fragments in mostly historical and military writings related to the core of strategy. While it was their manuscripts that first introduced and appropriated the term *strategy*, they still wrongly used the term to cover tactical and operational issues. For example, Field Marshal Moltke not only revitalized the works of Clausewitz, he implemented, improved, and deepened the understanding of his own military practice. If Moltke had not used and widely discussed the work of Clausewitz, these writings would have been substantially forgotten by the end of the nineteenth century. Because of Jomini's and Moltke's work, strategic theory began to be taught as its own separate subject in military academies during this time.

By the beginning—and up until the middle—of the twentieth century, the term *military strategy* had become de facto synonymous with the term *strategy* in general. But after World War II, the conceptualization of strategy went beyond the battlefield, and elements

of strategic ideas found in military books, essays, and in academies were implemented across several different fields of human intellectual activity. New books on the practical application of strategy development and improvisation began to appear in the early 1970s. New translations of the ancient writings of Sun-Tzu, Thucydides, Caesar, and Emperor Maurice appeared, as well as the modern works of Carl von Clausewitz, Antoine-Henri Jomini, and later Napoleon and Bismarck. Individuals and entities began to use the strategies revealed by these military masterminds in corporate and state strategizing processes, as well as for individual strategies or those used in the wider global community. This is why some of their books became very popular outside military spheres, especially among business strategists.³⁸ The study of strategy had become a prerequisite for individuals working in the business world, in domestic corporate activities, and, most particularly, at the international level because of the accelerated development of multinational corporations. These tendencies resulted from the influence of several global trends, the most dominant trend at the time was that of internationalization. This was a period of business world development prior to the birth of globalization—an extremely powerful trend that will be discussed later in this book. The increasing competition between businesses in the domestic and international arenas made studying strategy a requirement for decision-makers of companies, its trusts, conglomerates, syndicates, and other various organizational forms of collaboration against competitors in the markets of raw materials and parts, as well as in the markets of distributions of final products and services (and even in labor markets where companies compete for scientists, high-quality professionals, and experienced blue-collar workers).

Corporate leaders started to understand keen competition with other companies as a kind of business and corporate war. As a result, they began to study and read books and articles, and commissioned proprietary practical strategic recommendations that had previously only been used by militaries. It was the dawn of corporate strategy development and a renewed widespread attention to books that had been gathering dust on the shelves of libraries. Demand grew in the corporate world and in business schools for books on strategy. Scholars and teachers at business schools started to develop practical and methodological recommendations specific to corporations. Courses on strategic decision-making became quite popular in the early 1970s and even earlier. This process of discovery resulted in a historical paradigm shift within strategy research. For the first time, the quality and quantity of business strategy research began to surpass the work done by professionals and scholars in military strategy.

The tendency towards the popularization of strategy had some negative consequences as well. The word *strategy* could be used without any real understanding of the term and was often misused and devalued. For example, the operational activity on stock exchanges, with a horizon of two or three hours, or at least a couple of weeks, was called stock-picking strategy or currency exchange strategy. Practitioners still found the majority of books on business and corporate strategies useful, although they were neither analytical nor theoretical. But good books are often born from the soil fertilized by the bad ones. These books were representative of “best practice” analysis and recommendations that illustrated only by example extreme business cases of top-level executives who brought either success or failure to their entities. However, teaching and writing on the subject of corporate and business strategies improved the quality of this theoretical work and strategic practice as well. The development of terminology and distinct categories of strategy separated the subject of corporate strategy from economic, financial, and military strategy. Because the practice of economic strategy development began much later, its methodology and theory

are still under construction. National economic strategy can be practical only when enterprises—and corporations—that consist of national and regional economies develop and follow their own business or corporate strategies. It is important to note that an analysis of many national and regional economic strategies shows that they are much less developed, less practical, and have a less established theoretical base than the business strategies of corporations (and they lag behind military strategies as well).

At the beginning of the twenty-first century, due to the birth and development of the global marketplace and the initial stages of the global community, there was a projected new shortage for top-level strategic decision-makers. This also generated demand for theoretical, methodological, and practical strategic recommendations about how to compete and collaborate within the framework of the global marketplace and global community. Practically, this is a relevant issue for scholars in the fields of military and corporate strategies who are starting to move slowly to the global arena, generating demand in the GMP for strategic research and recommendations. Also, in a reversal of influence, military strategists began to use corporate strategists' theoretical works and to analyze their practice.

The birth and functioning of emerging market countries and, later, the formation of the global emerging market led not only to new opportunities and threats for corporate leaders but also hastened national leaders and heads of governments to order recommendations regarding state and regional strategies and advice about their development and implementation. The second decade of the twenty-first century showed that the global community is a reality that has already necessitated the development of theory and methodological strategic recommendations to solve different global issues related to ecological problems, mass diseases, migration, and drugs, prostitution, and weapons trafficking, among other issues. The subjects of these strategies are not only global multilateral institutions like the United Nations, the World Bank, and the World Trade Organization, but also some non-institutional organizations like the G7 and G20, which do not have executive bodies but nonetheless require unified strategies to be discussed and adopted at their annual meetings. Many societal organizations that operate on a global scale, such as migration organizations and different unions, need their own strategies. The development of multilateral regional unions and agencies with their own institutions, such as the European Union, Mercosur, ASEAN, ECOWAS, and approximately 100 others, means that they would like to have their own strategies as well. These practical requests for strategic methodology and recommendations have motivated scholars to study and develop the general theory of strategy with an overall aim for strategic implementation in any sphere of human activity, making adjustments according to the particular characteristics of the strategizing subject (e.g. military headquarters, corporate executives, national or regional governments, ministries with different sectorial responsibilities, etc.).³⁹

Development of a System of Strategy

Very few countries in the world have state strategies encompassing all of their regions and industries. Among the largest nations in the world, only China has come close to developing a unified strategy; since 1978, under the leadership of Deng Xiaoping, China has developed and monitored strategy for a 100-year vision. In fact, most contemporary nations have different sectorial or special purpose strategies (like NASA's 200 year strategic plan), but do not have a unified national strategy as China does. When a nation has a particular strategy and follows it, the outcome is almost always successful if the strategy is honestly developed and if governments allocate the required resources for continuing its implementation.

When governments of states or regions declare their strategy, but do not allocate resources for this strategy, the strategy limps along for several months and is eventually removed from the national agenda quietly. In an attempt to avoid these problems, some governments present not a strategy, but a “concept” without a description of its required resources. All of these countries would never implement these “concepts” in practice; rather, they are only declarations combining what a government would like to say and what the nation would like to hear. This kind of “concept,” or so-called “strategy without resources,” is just a way to mislead the population. Very often countries without strategy, placed in extraordinary situations due to the lack of well-developed scenarios that could lead the nation like a beacon through difficult times of change, sink in an ocean of catastrophe.

The global marketplace and the global community also increased the demand for recommendations on strategy use and implementation, from that point forward, not only for military and corporate leaders, but also for heads of states and governments, and leaders of regional multilateral unions and global institutions like the UN, the World Bank, and the IMF, among others.

At the end of the twentieth century, after the failure of dictatorial regimes in an overwhelming majority of command economy countries, a new generation of leaders came to power as the heads of states and governments. These new national leaders mostly oriented themselves towards economic freedom, were more educated than their predecessors, and often had experience in corporate or military sectors and science. This new leadership increased the demand for strategic recommendations and strategies. Consequently, it became evident during the 1990s that there was a substantial lack of specially trained professionals who could work on the development of strategies and monitor their implementation in any entity, regardless of its specialization and profile.

Furthermore, a lack of resources, shortages in basic economic factors, and social needs in countries using new dimensions strategies oriented towards economic and business development (which later became known as emerging markets) gave birth to a new trend: competition between national governments and domestic companies in the global arena for foreign investments, raw materials, sustenance, and even for the appointments of highly trained top-level foreign professionals in various areas. To be successful in this competition, governments started to develop national strategies, and then regional governments and heads of sectorial ministries started to imitate national governments. This is the reason why not only national strategies began to be widely developed in the 1990s, but also why specific national, economic, financial, and later, ecological, scientific, and technological strategies were added to the agenda. Regions within national boundaries started to compete as well for resources and control of leadership. Global trends of regional integration, more and more transparent national borders, and increasing international cooperation on political, economic, and cultural issues had positive impacts, but also gave rise to terrorism, prostitution, and the trafficking of drugs and weapons. It forced national governments and occasionally regional ones to develop security strategies to increase the dynamics of governmental influence through national security strategies in the military and in industrial and ecological safety. The dynamism of all these trends increased and complicated competition in the corporate world in the domestic, international, and global arenas. Intense professional competition in different industries and regions, and among corporations, institutions, and governmental structures, motivated some individuals (especially those who sought professional careers) to develop their own strategies—strategies for their professional and even personal lives. But it seems that the majority of executives and managers who work for leading enterprises that already have

strategies and who participate in the development and implementation of these new or updated strategies overwhelmingly do not have—and do not try to have—a strategy for their own lives and careers. Nonetheless, books focusing on practical recommendations (often without any rigorous theoretical base) appeared in the 2000s, filling the shortage for those who decided to strategize their own lives. Books issued at major publishing houses even targeted specific age groups: for example, one book promised to help teenagers develop a strategy to direct and guide their lives.⁴⁰ The majority of strategies developed during this period of “strategic boom” were useless due to the lower quality of self-declared “professional strategists.” As a result, strategy development also became a sphere of corruption and imitation of real strategizing processes.

All of these tendencies led to various developed strategies that proliferated at the beginning of the twenty-first century and were named based on their own specific characteristics: national strategies, national security strategies, national economic and financial strategies, and regional strategies. These processes of strategy development required a methodological basis and practical recommendations for a variety of strategy types. The result of these tendencies generated a practical necessity for concepts that I prefer to call holistic strategy. An illustration of this kind of national holistic strategy concept is presented in [Figure 1.1](#).

This is why the system of strategies (encompassing national strategy, scientific and innovative strategy, economic strategy, financial strategy, ecological strategy, national security strategy, regional strategies, sectorial strategies, military strategy, corporate strategy, strategy of global issues, and strategies of individuals) is very unstable: the incomparable levels of quality of development and inequality of theoretical bases across different elements of the system.

Due to the fact that state-owned corporations played and continue to play an important role in national economies, especially in countries with former command

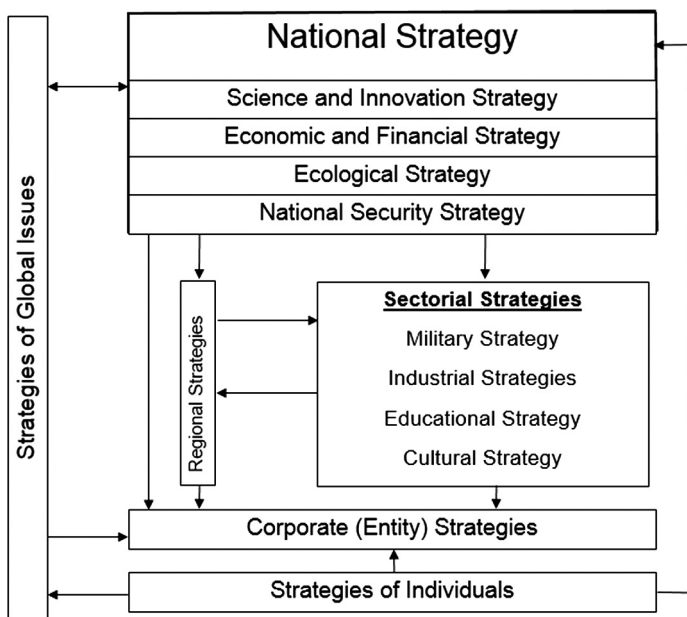


Figure 1.1 Concept of National Holistic Strategy

economies, sectorial ministries (e.g. ministries of energy, health, or heavy industry—to mention a few) generated increased demand for professional strategists who could develop strategies for their executive bodies. This is why sectorial strategies appear first strongly presented in the structure of holistic national strategies and then subsequently in regional ones. Under the influence of the processes of development of national, regional, and sectorial strategies, the role of corporate strategists was substantially complicated by the fact that corporate strategies tend to be influenced by all substrategies of holistic national strategies. Multinational corporations started to develop their own strategies focused on collaboration and operations with the national strategies of several countries in which their facilities were located or in countries where these corporations distributed a substantial part of their sales.

Any strategy—it does not matter for which object, institution, or entity it is developed—must have the same primary theoretical basis for the stages of strategy development regardless of the strategizing object (state, military power, region, business enterprise, or individual career). It is very important to note that the use of business strategy for the development of state and regional strategies was limited in providing practical recommendations for any of these strategies for several reasons: first, there was a substantial lack of studies and publications specifically dedicated to the theory of strategy; second, the lack of general methodological steps equally useful for any type of strategy despite the strategizing object; and third, in the overwhelming majority of cases, the most readily available books dedicated to military strategy or business strategy do not use a theoretical basis for their recommendations and exclusively rely on the authors' observations and practical experience. Even in books dedicated to business strategy for practical strategists, or any practitioners who work on strategy, it is very difficult to find clearly defined methodical guidance describing step-by-step strategy development, which elements these documents must include, how to begin implementation of the strategy in practice, and when and how to finish this work (including documents explaining an exit strategy). As a result, practically developed strategies very often fail without the inclusion of vitally important elements, such as the right order of implementation of these strategies and the correctly allocated resources required for strategic success. This is why it is easy to find missing strategic steps (e.g. entry strategy, exit strategy, adequately developed strategic management systems with required elements and functions, etc.) when reading these strategic documents.

In this book, I rely on my 40 years of strategic studies and participation in the development of strategies in Asia, Europe, and North and South America. Since I gained most of my experience from working in emerging market countries, the majority of examples in this book are taken from the EMC.

However, due to the nature of general strategic recommendations, these examples can be equally useful—as all general methodology is—for any strategizing object in any country. Obviously, more detailed practical recommendations require more specific elements and instructions related to the characteristics and priorities of the strategizing object. In a best-case scenario, any particular strategy has to be based on a theory of strategy, a general methodology of strategy development, and implementation. Finally, details and practical recommendations have to be specific to the strategizing object. Practically useful recommendations and instructions start from, as stated above, the study and enrichment of values, then the transformation of these values into interests, and the inclusion of both of these categories in the formation of strategic priorities. Throughout this book, I will use examples to prove that true strategic interests are concentrations of values.

Strategy as a phenomenon deserves its own theory. Strategy requires its own analytical methods and apparatus, including principles, priorities, hypotheses, and laws specific to trends, methods of development and practical use, defined systems for each element, and factors that can be analyzed and used regardless of the strategized object. The strategizing processes of a state, region, army, or corporation must adhere to the general rules of strategic thinking, strategy development, and implementation. Strategy as a theory should provide clear elemental content. Along these lines, a long-term strategic approach should start with the study of the theory and history of strategy, and conclude with the practice of strategic development and implementation. This order is relatively rigid. Starting with the history of strategy, for instance, is much less efficient because many historical works—even those by Herodotus, Homer, and Thucydides—do not define and structure the events they describe as a result of strategic thoughts and decisions. A student of history can define certain historical events as strategic only through an understanding of the theory of strategy.

Strategy requires a very different mindset than other subjects, not only in the day-to-day way of thinking culled from current events, but also from a meaningful analysis of the history of military battles, economic trends, cultural achievements, and societal prosperity. Strategy requires its own vision, philosophical schools of thought, different sets of rules, and analysis of particular elements in a precise order. Any strategist must begin with an understanding of the predominant values of a region's individuals, communities, and societies in order to select the salient value for following the process of strategizing.

My analysis shows that the ruling dominant law of strategy is different from the ruling laws of politics or economy. The major political law of any state is typically the constitution or common law of the land. The major economical law can be the law of values, the law of costs, or the law of supply and demand. In strategy, however, the major law is the law of time, as I will analyze and prove later in this book. A time-sensitive analysis of strategy is a criterion that must always be in place through the development and implementation of all elements of any strategy. The law of time is not the only rule of strategy; development and justification of the theory of strategy require discovering and developing other laws of strategy, monitoring major trends that influence strategy, and changing a society's priorities. Analysis of strategic practice proves Napoleon's point of view that the two most important criteria of the strategic decision-making process are time and space. On the basis of this postulate, we can conclude that strategy as a phenomenon has kinematical characteristics. Strategy and kinematics have the same two initial notions: time and space. These two major sciences also have nearly identical main goals: to predetermine the strategized object's (or, in kinematics, the studied object's) vector and speed of movement.

A classification of strategy is largely done (as was already mentioned) by the strategized object, e.g. a company, region, and state, or by sectorial areas of strategy, such as social, economic, financial, military, and athletic, among others. Strategy determines its classification, such as reactive or proactive and aggressive or defensive types of strategy. These terms of classification are mostly worthless, as any aggressive strategy can be considered from some point of view as defensive, or vice versa. Strategists misled by this way of thinking usually pay much more attention to proactive and aggressive strategies than reactive and defensive strategies because the latter require a much more difficult analysis of various scenarios among the competitor's goals, behavior, and movement. Defensive strategy also steers part of strategists' attention away from opportunities that almost always unexpectedly appear or become recognizable, and in this way, strategists can fail to take the road to great success at the right moment. From a theoretical and practical point of view, this often leads

to rudimentary strategies. For example, prior to World War II, the Soviet Union did not even have a concept of defense, much less a full strategy, according to the most distinguished Red Army commander during World War II, Marshal Georgy Zhukov. Stalin's strategic idea was simple and wrong: he aimed to win any military conflict on the enemy's territory with "small blood," or minimal loss of life. As we know from history, this rudimentary defense strategy did not work, and Hitler's blitzkrieg operation rapidly swallowed up Russia's European territory up to the Volga River. This was only a temporary success for Hitler, however, due to the absence of any reasonable strategy in the Third Reich as well. The lack of a defense strategy cost the Soviets enormous losses, both in population and infrastructure. After World War II, Marshal Zhukov wrote a special memorandum to the joint chiefs of staff—the general headquarters of the Red Army—about the importance of having such a defensive strategy. Zhukov's reasoning drew heavily from Field Marshal Moltke, who wrote numerous works on this issue and dedicated particular attention to the defensive positioning of forces. Moltke focused on topographical differences of territories for the purpose of understanding both defensive and offensive strategies. He rightly noted that the conditions that make a defensive strategy work could easily become blockades for an aggressive, offensive strategy. In Moltke's words, "The same obstacle that supports the defense makes an advance difficult. An unobstructed front is strong enough for the defense and is the most advantageous for an immediate transition to the offense."⁴¹

Napoleon's own understanding of the strategic rules found in defensive battles grew from his studies of the outstanding strategic leader Frederick the Great, King of Prussia (1712–1786). Yet his conclusions were strictly Napoleonic, as evidenced in his famous statement that "the best means of defense is attack."⁴² Napoleon used this defensive strategy only three times in his career: at Leipzig in 1813, and at La Rothière and Arcis the following year. All of these were in the twilight of his leadership. Throughout his career, as is clear from the above quotation, Napoleon looked for aggressive strategies, and his victorious legacy is substantially linked to this strategic way of thinking. Strategists should indeed follow Napoleon's strategy and search out aggressive strategic scenarios instead of relying on inferior defensive methods. In this way, strategists will become better at monitoring and seizing opportunities that appear unexpectedly and that will lead them, and the objects they strategize, to tremendous success.

The strategies mentioned throughout this chapter cannot be represented in a pyramid structure, but rather as substantial branches of strategies that continually influence each other. Many of these branches purposefully attempt to interact and even cooperate. The sheer number of entities in need of strategy generates an enormous demand for professional strategists in graduate schools around the world, especially in the domains of business, governmental affairs, and public services. But this process has not yet fully matured, and very few professional graduate schools have majors in Strategy (this subject will be covered in [Chapter 4](#)).

Philosophical Category of Good Life and Its Transformation to Quality of Life as the Essence of Strategy

Correlation between the Categories of Values and Quality of Life in Developed and Emerging Market Countries

As discussed above, an overwhelming majority of strategic ideas are rooted in philosophical (especially ontological) concepts. Strategy is a continuation and application of

particular philosophical ideas to specific fields of human activity. Ideas, rules, and even categories of diverse philosophical schools have had different influences on the birth of strategy as a theory, on its development, and on its practical applications. After years of experience in strategy development and implementation, and after writing analytical works on this subject, I have come to the conclusion that, among all philosophical schools, metaphysics and its areas of ontology have had the most influence on the development of strategy.

One initial category of ontology interrogated by Socrates and Plato, and then substantially developed by Aristotle in his political philosophy, is the category of the good life. Through years of history and its adoption—or rejection—by leaders, this ontological category became the most influential to the theory of strategy and strategizing practice. The role of this category varies in the different political, economic, and social conditions of societies and depends on levels of their social and political maturity, as well as their economic development. The more society has developed, the more important the value and role of human life become in society; when human life becomes the center of societal morale and culture, it is then given more attention by society's leaders. The more importance placed on individuals in society, the more a practical role of the category of good life arises. But practical use of this ontological category requires its transformation to more measurable and manageable political and economic categories. And at this stage, the category of good life has become a deep core of the theory and practice of strategy.

Any strategy can be successful, and enthusiastically accepted by society, when it properly reflects the values of individuals and society as a whole. When strategy is initially formulated to focus on these values, enriching them as national interests to become the essence of national strategic priorities, this is characteristic of a properly established beginning of strategy development. The mission statement of any strategy, from an ontological point of view, is to transform individual and societal values through gratifying and enriching national interests to a formulated core of strategic priorities.

An individual's quality of life, well-being, and level of satisfaction are determined through values that are subjectively defined: how the individual's needs are met, for example, by the quality of goods and services. In the theory of good life analyzed by Plato's Socrates in the record of his trial (399 BCE) found in the *Apology*, and then further systematized by Aristotle in *Nicomachean Ethics* (350 BCE), happiness as a philosophical category also factors in the development of a person's well-being.⁴³ In modern times, the good life first appeared on the economic agenda at the end of the twentieth century, primarily in the status of individuals found in developed societies where the role and value of human life were much higher than in undeveloped and developing countries. In the twentieth century, psychologists like Sophia Lyubomirsky, Martin Seligmann, and the famous humanistic thinker Abraham Maslow began to study happiness. Maslow's work is the closest to economic theory before the appearance of Professor Daniel Kahneman. Kahneman offers a substantially profound analysis of happiness and well-being that focuses on an evaluation of self-satisfaction, mood, and happiness.⁴⁴ He pays attention to multidimensional measurements of happiness and well-being without fully accepting a theory of individual self-satisfaction. Nonetheless, in his book *Thinking Fast and Slow*, he dedicates two special chapters to the category of happiness: "Thinking About Life" and "Experienced Well-Being." Kahneman does not recommend directly applicable and exact indicators, which can be helpful for practitioners forming a simple evaluation and measurement of happiness. Rather, according to Kahneman, any economic category needs to be measured, as Descartes proposed.

According to the European Quality of Life Survey (EQLS), which was conducted in 2003, 2007–2008, and 2011, the characteristics of happiness among EU citizens of 27 countries were ranked in the following order of priority:

- 73 percent of people surveyed—health is the most important indicator of happiness;
- 44 percent—feeling of love;
- 37 percent—employment and satisfaction with work;
- 35 percent—peace;
- 32 percent—money;
- 27 percent—friendship and feeling of friendship;
- 24 percent—freedom.⁴⁵

The remaining people surveyed placed characteristics of justice, education, pleasure, religious belief, tradition, order, and solidarity (in that order) towards the bottom of the list. These priorities of happiness represent the values of individuals in developed countries of western civilization, which include Europeans as well as Americans and Canadians. Similar results were reached in other studies, such as the World Happiness Report.⁴⁶

However, the populations of emerging market countries (a term that will be presented later in this book along with related studies), even if they are already members of the European Union, emphasize a different order in their priorities of characteristics of happiness. This significant difference is due to faster population growth in emerging market countries as compared to in developed countries; thus, the age division on the priority of characteristics by happiness is more visible. In non-EU nations, which are integrating into the global community much more slowly, this gap between the younger and older generations is even wider. It is particularly evident in Russia (according to several publications),⁴⁷ where the population under 25 years old, all of whom grew up in the post-communist period, report that the major characteristics of happiness are money, followed by a tie for second place between freedom and human rights, with personal dignity coming in next. For people over the age of 55, who grew up during difficult years of tyranny and a communist dictatorship, the priorities in the definition of happiness are noticeably different. Labor and employment rank first, followed by human rights and satisfaction with one's work coming in second, then work ethic (being industrious), money, and freedom. Therefore satisfaction with quality of life is influenced by substantially different characteristics of value between the individuals of developed and emerging market countries. A higher level of economic freedom in society encourages stronger market competition and a wider range of quality and quantity in goods and services, which in turn lead to a higher level of consumer satisfaction, since consumers feel they can find goods and services that meet their expectations and reflect their values. Inversely, the values of people in developed countries are much more difficult to satisfy than people in emerging markets and lag behind developing countries because the expectations of the former are much higher than the latter.

In emerging market and developing countries, and especially in countries with a strict command system like North Korea, Cuba, Zimbabwe, and to some extent Belarus, the requirements are substantially lower and are based on the availability of goods and services due to shortages and/or to the low income of the majority of the population. This lack of freedom of choice forces consumers to purchase lower quality goods and services far below their requirements and expectations due to the fact that there are simply no other available goods and services on the market. In countries with a command economy,

competition on the market is almost non-existent. Consumers do not have any freedom of choice and, because they buy goods and services of marked lower quality, the companies that produce these goods and services have no incentive to increase the quality of what they produce. There are no alternatives within the market, and their products are purchased regardless of quality. Command economies decrease the quality of products and destroy workers' motivation to produce higher quality goods and services. This negative situation grows because the workers' compensation almost never relates to the quality of the goods and services they produce. With the decrease in motivation for employees comes a decrease in the productivity of labor. This is why the productivity of labor in countries with a command economy is always lower than countries with a free market-oriented economy.

I agree with the Nobel Laureate in Economics Edmund Phelps when he comments, "We do not have to infer from data on productivity growth the presence (or absence) of dynamism—as physics inferred the existence of dark matter and dark energy."⁴⁸ When discussing labor quality and productivity, dynamism is a much wider and deeper category than just statistical analysis. It is related more to the modern values of society, a separation from traditional values that Professor Phelps correctly identifies in his 2013 book, where he relates dynamism to desire, capacity, and the scope of innovative activity. In dictatorial countries and command economies, the lack of motivation prevents a society's dynamism by curbing any creativity in employees, and especially in blue-collar workers.

In order to improve this situation in both developed and emerging market countries, strategic management systems in any civilian or military sector should pay special attention to their methods of encouraging creativity in all those who implement and practice strategy. Creativity is an essential factor in working strategy. No one strategy is perfect when it is developed, as strategists cannot fully ascertain social and economic conditions 5, 10, or 30 years after its development. Creative people will help to ensure the future success of a strategy. Here again I agree with Edmund Phelps's proposition that innovations are not just high-tech achievements. Even strategy that builds upon the most cutting-edge technology cannot be successful if the people who are implementing it do not demonstrate an innovative and creative working ethic. Corporatism during strategy implementation brings together the values of the people who are strategically involved and allows all basic economic factors (and in particular labor resources), financial capital, infrastructure, and technology to be shaped and changed for the better. As another Nobel Laureate in Economics, Friedrich Hayek, once wrote, "Society's course will be changed only by a change of ideas."⁴⁹

With strategy development, it is important that new societal ideas are mirrored in the changes of values on the corporate,⁵⁰ regional, and national levels. These levels must be sensitive to these changes when developing strategy. Strategic monitoring then must result in a correction of strategy development and implementation according to changed social values and ideas.

The most negative situation in command economies appears in countries with an artificially detailed centralized planning system, which is created to predetermine what each enterprise in the country must produce and what the price will be for these goods and services, despite the cost of production, quality of employees, capacities of technological equipment, infrastructure, and the real requirements of the market. The situation is aggravated by employees' lack of financial motivation. This system mostly motivates people through punishment, not financial rewards. The population has much lower standards for their quality of life and satisfaction, which lead to a lack of happiness.