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Clausewitz Talks Business

**An Executive's Guide to
Thinking Like a Strategist**

Norton Paley

 **CRC Press**
Taylor & Francis Group
A PRODUCTIVITY PRESS BOOK

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Boca Raton London New York

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Taylor & Francis Group, an **informa** business

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CRC Press
Taylor & Francis Group
6000 Broken Sound Parkway NW, Suite 300
Boca Raton, FL 33487-2742

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Version Date: 20140311

International Standard Book Number-13: 978-1-4822-2028-5 (eBook - PDF)

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*To my daughters,
Julia and Susan,
With love*

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Introduction

Carl von Clausewitz (1780–1831)* is regarded as one of the greatest Western military thinkers. His book, *On War*, published posthumously by his widow in 1832, is considered by many eminent scholars as the most distinguished Western work on war ever written.

On War has stimulated and influenced generations of soldiers, statesmen, historians, and intellectuals throughout the world—and is still being studied today at most military academies.

In recent years Clausewitz's insightful concepts have gained serious attention among business executives, as have other military classics, notably Sun Tzu's *The Art of War*. Such curiosity in the subject has spread from the C-suites to the lower echelons of organizations, as noted by the proliferation of books that interpret and apply the teachings of such giants of military history as Caesar, Napoleon, Alexander the Great, Frederick the Great, and others to business applications.

Why single out Clausewitz? Known as a soldier, philosopher, and author, many of his concepts have their origins in works reaching back to antiquity, which were known to him during his study and writing years. They reflect in some of Clausewitz's best known maxims, such as

- Even the ultimate outcome of a war is not to be regarded as final. The defeated state often considers the outcome merely as a transitory evil, for which a remedy may still be found at some later date.
- The natural goal of all campaign plans is the turning point at which the attack becomes defense. If one were to go beyond that point, it would not only be a useless effort, which could not add to success, it would in fact be a damaging one.
- War is not waged against an abstract enemy, but against a real one who must always be kept in mind.
- Another factor that can bring ... action to a standstill: imperfect knowledge of the situation. The only situation a commander can fully know is

* Highlights of Carl von Clausewitz's life are described at the end of this introduction.

his own; his opponent's he can only know from unreliable intelligence. His evaluation, therefore, may be mistaken and can lead him to suppose that the initiative lies with the enemy when in fact it remains with him.

- If you want to overcome your enemy you must match your effort against his power of resistance, which can be explained as the product of two inseparable factors, the total means at his disposal and the strength of his will.
- In short, absolute, so-called mathematical, factors never find a firm basis in calculations. From the very start, there is interplay of possibilities, probabilities, good luck and bad that weaves its way throughout the length and breadth of the tapestry. In the whole range of human activities, war most closely resembles a game of cards.
- What matters is to detect the culminating point of actions with discriminative judgment.
- We maintain unequivocally that the form of confrontation that we call defense offers greater probability of victory than attack.

If you would transpose some of the preceding terms, such as war for conflict, enemy for competitor, and commander for executive, those guidelines contain timeless qualities that are as vital in today's competitive business conflict as they were to war during the time Clausewitz wrote his book.

The intent of this book, then, is to interpret and transpose Clausewitz's core ideas and show their applications to today's competitive problems. It is meant to assist you as a leader with the managerial responsibilities for developing competitive strategies, making decisions with greater precision, and improving your chances of achieving your organization's objectives.

Expressed another way: The object of this book is to enhance your ability to *think like a strategist*.

What are the origins of the term strategy? It is derived from the Greek words *strategia*, which was used in ancient times to mean the art or skills of the general, and *strategos* to identify the general who practices strategy. One anonymous definition survives from antiquity, which reads:

Strategy is the means by which a commander may defend his own lands and defeat his enemies. The general is the one who practices strategy. Strategy teaches us how to defend what is our own and to threaten what belongs to the enemy. The defensive is the means by which one acts to guard one's own people and their property; the offensive is the means by which one retaliates against one's opponents.

Then, there is Clausewitz's definition of strategy:

Strategy is the use of the engagement for the purpose of war. The strategist must therefore define an aim for the entire operational side of the war that will be in accordance with its purpose. In other words, he will draft the plan of the war, and the aim will determine the series of actions intended to achieve it.

Clausewitz goes on to say: “We could more accurately compare war and strategy to commerce, which is also a conflict of human interests and activities, and it is still closer to politics, which may be considered as a kind of commerce on a larger scale.”

THE CLAUSEWITZ MILITARY/BUSINESS CONNECTION

Clausewitz’s latter comment, then, introduces the relationship of war to commerce. As cited previously, this connection is shown by the abundance of business books, seminars, and speeches that reference military concepts. In varying degrees they attempt to transpose military verbiage to business terms as the everyday language of business.

It is not uncommon to read and listen to war-like vocabulary with such phrases as attacking a competitor, developing a strong position, defending a market, strengthening logistics, deploying personnel, launching a campaign, developing a strategy, utilizing tactics, coping with price wars, doing battle with ... and other familiar comments.

Then, there are the more indirect references that connect military to business, such as holding reserves to exploit a market advantage, developing an intelligence network to track a competitor’s actions, avoiding direct confrontation with the market leader, bypassing a market because of high entry barriers, reorganizing marketing and sales to strengthen a market position, or employing a new technology to create a competitive advantage over a weaker rival.

Taking the military/business connection another step forward, consider the business situations where strategy planning, with its military underpinnings, deals with confrontations and campaigns. These can be subdivided into the following categories, each requiring customized business strategies to confront an opposing competitor:

1. Campaigns to reclaim a former market position, which was given up after a failed competitive confrontation
2. Defensive campaigns to retain a share of market in a key region
3. Preemptive campaigns against a hard-hitting competitor to blunt his actions before he begins, thereby preventing drawn-out and costly market warfare
4. Conflicts of opportunity: discovering a competitor’s weakness that is worth exploiting, such as poor product and service performance, lapses in technology, problems with the supply chain, or inept leadership
5. Campaigns tied to obligatory commitments entered into through joint-venture agreements
6. Campaigns that expand into additional market niches where there are dominant competitors
7. Campaigns to solidify an existing market position and make it more defensible

8. Campaigns into new markets or new businesses that support long-term strategic objectives
9. Campaigns initiated by senior management for reasons of ambition and personal gain or those driven by upward pressures from junior-level managers
10. Campaigns against the aggressive moves of a competitor attempting to weaken the defender's resistance
11. Limited-term campaigns versus mobilizing resources for longer term decisive campaigns
12. Campaigns intended to make the confrontation more costly for the rival to continue operations, thereby neutralizing the competitor and rendering him harmless

Where are these campaigns played out in the real world of competitive warfare? Think of the following classic and current examples of business competitors among organizations that have been and—in many cases still are—in no-holds-barred conflicts:

Coke versus Pepsi, Nike versus Reebok, Microsoft versus Apple, CVS versus Walgreens, UPS versus FEDEX, Google versus Facebook, BMW versus Mercedes-Benz, Visa versus MasterCard, Airbus versus Boeing, P&G versus Unilever, Bayer versus Tylenol—and the list remains in motion.*

This list of rivalries serves as an ongoing reality check of competitive conflicts in a volatile environment, where winning may be measured by gaining a single point of market share that could be worth millions in revenues. Or it can be viewed as growth in a no-growth market where sales increases rely on taking sales from rivals—who, in turn, are intent on doing the same to you.

Within that framework, the further intent of this book is to maintain a pragmatic viewpoint by keeping in mind the kinds of competitive problems that you may face. For instance, consider the actual quotes from executives representing a variety of businesses. Some of their problems, in one form or another, may be happening to you at the present time[†]:

- How do we sustain growth in a sluggish market with increasing competition?
- With large organizations tending to dominate our industry, what strategies are possible?
- How do we deal with offshore competitors selling into our market with prices 30% to 40% below ours?
- What defensive strategies are effective to protect our market share?
- How can we maneuver into a market already occupied by the industry leader?
- How do we position our products effectively against the market leader?

* You may wish to add your own rivals to the list.

[†] The list of actual problems comes from a confidential survey of executives representing a variety of industries, which was conducted by a highly regarded management publication.

- What strategies can outdistance competitors when entering a new market?
- What strategies can we use to regain lost market share?

As indicated earlier, the origins of the term strategy come from the ancient Greeks. Commanders over the centuries have relied on military strategy to conquer territory and gain power. They faced formidable challenges as they crafted plans to outmaneuver competing forces, gain territory and power, and expand their influence. Faced with resistance, those leaders were forced to maximize the effectiveness of their resources to achieve their goals.

While the terminology varies, these challenges are not much different from many of the *preceding* business problems. Generally, confrontations involve a defense protecting the ground and an offense trying to overtake that ground—or, in business terminology, securing a market, as well as influencing a group's behavior.

Although the destructive aspects of war are not present in business, there is a reasonable parallel when considering the fall of organizations, including once mighty global leaders; the vast layoffs of thousands of personnel; and the closing of physical plants, with its devastating economic impact. And there are the societal disruptions that create demoralizing misery among large groups of individuals. In many instances those powerful shocks result in decimated regions, such as the 2013 bankruptcy of Detroit, Michigan.

Many C-suite executives and line managers readily accept the military/business connection and find practical wisdom in studying the chronicles of military conflicts. By examining the strategic and human elements of clashes, they gain valuable insights that provide an additional dimension to business study.

This book, then, taps the universal lessons of strategy and uncovers potential solutions for today's stubborn competitive problems—similar to the ones cited previously. It also overrides the narrower pathway of relying only on current business events or job experience, where those viewpoints tend to limit the range of opportunities and reduce judgment to a relatively short-term, constricted outlook.

Finally, Clausewitz provides foundation principles that can sharpen your skills to think like a strategist. In particular, his lessons can be indispensable in the pragmatic, everyday managing of people and resources, especially when applied to competitive issues. It is through the long lens of time and space that this additional perspective can fortify your judgment in such areas as leadership and employee behavior.

Thus, by focusing on his concepts of human behavior, leadership, and organizational culture, you can benefit from a broader viewpoint that leads to a better understanding of how you face up to competitive struggles. In turn, you will enhance your expertise for applying appropriate strategies to outmaneuver competitive obstacles.

ORGANIZATION OF THE BOOK

First, this book focuses entirely on Clausewitz's renowned classic *On War*. In interpreting and editing this massive work for business applications, I highlighted those portions of his text that in my judgment apply to the problems listed earlier, and I emphasized those concepts that are relevant to the broader strategic dimensions of operating a business in today's aggressive competitive environment.

Second, to enhance your understanding of Clausewitz's primary concepts, an "executive summary" of his key points is provided at the beginning of each chapter.

Third, where some of Clausewitz's writings seemed obscure and needed clarification, I added commentary to bridge the military–business gap. These commentaries, however, do not preclude you from adding your own interpretations and applications to fit your particular situations.

Fourth, where there is text that simply does not apply to today's business conditions, as in the case of Clausewitz discussing the tactical details of a particular battle, I have deleted those sections.

Fifth, my major input consists of interpreting and editing his work for business applications, yet retaining the essence and integrity of his original writings. In the process, I have substituted Clausewitz's military terminology for business verbiage—such as war with competitive conflict or confrontation, battle with campaign, fighting force with resources, destroying the enemy with neutralizing the opponent, soldiers with personnel, and the like.

What follows, then, is Clausewitz's classic *On War*. Altogether, you will find his writings especially valuable as you (1) take a broader look at your operating environment, (2) attempt to calculate and decode the intentions of your competitors, and (3) examine the behavior of your markets. In the process, you will gain a more acute awareness of the internal operating condition of your organization, as well as insights about the mind-sets and sensibilities of the people who will have to implement your company's plans.

As important, you will gain an insightful perspective about what is required of you as a leader when devising competitive strategies. All these areas are contained in your ability to think like a strategist. It is in this framework, then, that his rules, concepts, and strategies are presented in the following chapters.

Finally, an appendix is included that consists of two management tools to heighten your ability to think like a strategist:

1. Strategy diagnostic system. This tool helps you to evaluate your firm's internal capabilities and competitive strategies critically against those of your competitor. It functions as a reliable performance measure to candidly determine your organization's or group's competencies.
2. Appraising internal and external conditions. This 100-question checklist assists in analyzing key factors about your organization's capabilities. It also assists in determining the competitive readiness of your group or firm, as well as ability to implement your business plans successfully.

ABOUT CARL VON CLAUSEWITZ

Clausewitz, a Prussian soldier and writer, was born in 1780. He first encountered war in 1793 as a 13-year-old infantry ensign. During the Jena campaign, he was captured and while in service with the Russians he played a prominent part in the Moscow campaigns of 1812–1813.

On rejoining the Prussian service he became chief of staff and later director of the military academy in Berlin. There, he attracted the attention of the distinguished General Scharnhorst, whom he later helped to reform the Prussian army.

More than a soldier, Clausewitz was a philosopher. It is in this framework that he recognized war as a political phenomenon. Consequently, if conflict was meant to achieve a political purpose, everything that entered into war—social and economic preparation, strategic planning, the conduct of operations, and the use of force on all levels—should be determined by this purpose.

Clausewitz's lasting fame rests with *On War*, which he began work on in 1816. The book was published 1 year after his death in 1832. As an able philosopher and soldier, he understood the continual interaction between theory and practice, as his open mind grasped the lessons derived from his study of the wars of antiquity through his personal experiences during the Revolutionary and Napoleonic wars. His book is still used in the major military academies worldwide.

About the Author

Norton Paley has brought his world-class experience and unique approach to business strategy to some of the global community's most respected organizations.

Having launched his career with publishers McGraw–Hill and John Wiley & Sons, Paley founded Alexander-Norton Inc., bringing successful business techniques to clients around the globe, including the international training organization Strategic Management Group, where he served as senior consultant.

Throughout his career Paley has trained business managers and their staffs in the areas of planning and strategy development, raising the bar for achievement, and forging new approaches to problem solving and competitive edge.

His clients include

- American Express
- IBM
- Detroit Edison
- Chrysler (Parts Division)
- McDonnell-Douglas
- Dow Chemical (Worldwide)
- W. R. Grace
- Cargill (Worldwide)
- Chevron Chemical
- Ralston-Purina
- Johnson & Johnson
- USG
- Celanese
- Hoechst
- Mississippi Power
- Numerous mid-sized and small firms

Paley has lectured in the Republic of China and Mexico and he has presented training seminars throughout the Pacific Rim and Europe for Dow Chemical and Cargill.

As a seminar leader at the American Management Association, he conducted competitive strategy, marketing management, and strategic planning programs for over 20 years.

Published books include:

- *The Marketing Strategy Desktop Guide*
- *How to Develop a Strategic Marketing Plan*
- *The Manager's Guide to Competitive Marketing Strategies*
- *Marketing for the Nonmarketing Executive: An Integrated Management Resource Guide for the 21st Century*
- *Successful Business Planning: Energizing Your Company's Potential*
- *Manage to Win*
- *Mastering the Rules of Competitive Strategy: A Resource Guide for Managers*
- *Big Ideas for Small Businesses*
- *How to Outthink, Outmaneuver, and Outperform Your Competitors: Lessons from the Masters of Strategy*

On the cusp of the interactive movement, Paley developed three computer-based, interactive training systems: *the Marketing Learning Systems*, *Segmentation, Targeting & Positioning*, and *the Marketing Planning System*.

Paley's books have been translated into Chinese, Russian, Portuguese, and Turkish.

His byline columns have appeared in *The Management Review* and *Sales & Marketing Management* magazines.

What Is Conflict?

Clausewitz makes these key points about conflict:

- To secure an objective, we must render the rival powerless; that is the true aim of conflict.
- To introduce moderation into conflict would always lead to logical absurdity.
- If you want to overcome your opponent, you must match your effort against his power of resistance.
- In conflict even the ultimate outcome is never to be regarded as final. The outcome is merely a transitory evil, for which a remedy may still be found in a variety of possible conditions at some later date.
- I am convinced that the superiority of the defense is very great, far greater than appears at first sight.
- A factor that can bring action to a standstill is imperfect knowledge of the situation.
- Only the element of chance is needed to make conflict a gamble, and that element is never absent.
- Conflict is an act of policy based on its strategic direction . . . and should never be an isolated incident.
- Conflict never breaks out wholly unexpectedly; nor can it be spread instantaneously. Each side can therefore gauge the other to a large extent by what he is and does.
- The strategic objective—the original motive for the conflict—will determine both the objective to be reached and the amount of effort it requires.

Clausewitz talks more extensively about conflict:

CONFLICT AS AN ACT OF FORCE

In conflict, more than in any other subject, we must begin by looking at the nature of the whole. Conflict is nothing but a duel on a larger scale with countless duels making up conflict. A picture of it as a whole can be formed by imagining a pair of wrestlers. Each tries through physical force to compel the other to do his will. His immediate aim is to throw his opponent in order to make him incapable of further resistance.

Conflict is thus an act of force to compel our rival to do our will. Force to counter opposing force is equipped with the inventions of art and science. Attached to force are certain self-imposed, imperceptible limitations, known as laws, regulations, and customs, but for the most part they scarcely weaken it. To impose our will on the rival is its object. To secure that objective, we must render the rival powerless and that, in theory, is the true aim of conflict.

COMMENTARY

Clausewitz's metaphors of conflicts with duels and wrestling are plausible images. You can reasonably experience such forms of confrontations in the everyday marketplace. Consider a company that puts up a strong resistance to retain an existing market position or the organization that attempts to expand into a market already occupied by strong competitors. Yet those defenders have no notion of relinquishing their dominant position without a fight.

Such was the case when Wal-Mart attacked Best Buy Stores' leadership position in consumer electronics through a major expansion into that category or the classic case of Canon and Ricoh moving aggressively into North America and taking on the then market titan Xerox.

In more recent times Google moved into China. However, once established, it was hindered by the Chinese government's requirement to self-censor its Web content. That ruling turned into an unaccustomed obstacle for Google, whereby its management pulled out and thereby ceded the market to Chinese competitor Baidu. That rival, eyeing a brilliant opportunity, moved rapidly to dominate China's search-ad market.

Yet Google decided not to abandon the market entirely to Baidu. Using an effective strategy, it drove back into China by waging war on its own terms: It targeted a then vacant niche of ads aimed at the growing mobile phone market, establishing a firm foothold that it was prepared to defend against any counterattacks from Baidu.

Clausewitz continues:

THE MAXIMUM USE OF FORCE

Some people might think there is some ingenious way to weaken or overwhelm a rival without too much harm. And they might imagine this is the true goal of the art of conflict. Pleasant as it sounds, it is a fallacy that must be exposed. Confrontation is such a risky business that the mistakes that come from a casual approach are the very worst.

The maximum use of force is in no way incompatible with the simultaneous use of the intellect. If one side uses force and harsh practices without compunction, undeterred by the damage it involves, while the other side refrains, the first will gain the upper hand. That side will force the other to follow suit. Each will drive its opponent toward extremes, and the only limiting factors are the counterbalances inherent in conflict.

To introduce the principle of moderation into the theory of conflict would always lead to logical absurdity.

Two different motives make individuals battle one another: hostile feelings and hostile intentions. Our definition is based on hostile intentions, since it is the universal element. Even the most antagonistic, instinctive passion cannot be conceived as existing without hostile intent.

If conflict is an act of force, the emotions cannot fail to be involved. Conflict may not spring from them, but they will still affect it to some degree. And the extent to which they do so will depend on how important the conflicting interests are and on how long the conflict lasts.

Each side, therefore, compels its opponent to follow suit; a reciprocal action is started, which must lead, in theory, to extremes. This is the first case of interaction and the first “extreme” we meet.

COMMENTARY

Clausewitz’s reference to the use of maximum force is in deep contrast to the complacent attitudes of some executives with the mind-set that they were protected by a distinguished market history and a strong public image. Yet many of those once proud enterprises were left in shambles or were forced to exit their primary markets and go in entirely new directions, as in the case of the reorganized, downsized, and redirected Eastman Kodak Co. The company saw the digital photography market coming. It is even credited with inventing the digital camera in 1975. In the end, however, Kodak management remained focused on protecting its old technology and stoically watched as its market presence declined. The result: an industry identified with Kodak was relinquished to aggressive and forward-looking rivals.

Other organizations sought government intervention through tax relief or attempted to win through rulings in trade disputes, as in the case of Whirlpool's bottom-mount refrigerators against those made in South Korea and Mexico.* Still others, through neglect or self-assured attitudes, fell too far behind in technology, marketing, manufacturing, or supply-chain logistics and disappeared from the market altogether.

Further, Clausewitz's comment about "confrontation is such a risky business" has an intensified truth with potentially tragic outcomes. His viewpoint translates to remaining totally aware of the consequences behind the "hostile intentions" of your competitor. In the Introduction, you will find 10 categories that indicate intentions for conflict that, in turn, find application for Clausewitz's cautionary advice, "To introduce . . . moderation into . . . conflict would always lead to logical absurdity."

* Whirlpool lost the case at the US International Commission.

THE AIM IS TO WEAKEN THE RIVAL

The aim of conflict is to weaken the rival. You must put him in a situation that is even more unpleasant than the sacrifice you call on him to make.

The hardships of that situation must not be merely temporary—at least not in appearance. Otherwise, the opponent would not give in, but would wait for things to improve. Any change that might be brought about by continuing combative actions must then be of a kind to bring the rival still greater disadvantages.

The worst of all conditions in which an opponent can find himself is utter defenselessness. Consequently, if you are to force the rival, by creating confrontations against him, to do your bidding, you must either make him literally defenseless or at least put him in a position that makes this danger probable.

It follows, then, that to overcome the adversary, or weaken him, must always be the aim of a confrontation.

So long as I have not overthrown my opponent, I am bound to fear he may overthrow me. Thus, I am not in control: He dictates to me as much as I dictate to him. This is the second case of interaction and it leads to the second "extreme."

If you want to overcome your rival, you must match your effort against his power of resistance, which can be expressed as the product of two inseparable factors: first, the total means at his disposal and, second, the strength of his will. The extent of the means at his disposal is a matter—though not exclusively—of figures and should be measurable.

But the strength of his will is much less easy to determine and can only be gauged approximately by the strength of the motive stimulating it. Assuming you arrive in this way at a reasonably accurate estimate of the opponent's