

## **The Garrison Report #2009-3 (The Report on Strategic Thinking)**

### ***How to Create a Winning Strategy***

Sun Tzu's *The Art of War* is often misunderstood by those who do not take the time to read beyond the title. Some think that war is simply a testosterone thing. Others argue that war has nothing to do with business. That is simply not true. Many of the lessons learned from war can be applied to business.

When talking about strategic thinking, it is logical to start with lessons of war because strategy was originally the art of generals. The concept of strategy was developed for war, but over time as been adapted to other applications. But maybe the greatest reason to study *The Art of War* in developing your company's strategy can be found in the following passage written by Sun Tzu almost 2,500 years ago:

“Therefore, those skilled in the war subdue the enemy's army without fighting. They capture the enemy's cities without assaulting them and overthrow his state without protracted operations. Their aim must be to take all under heaven intact through strategic superiority. Thus, their troops are not worn out and their triumph will be complete. This is the art of attacking by stratagem.”

—Sun Tzu, *The Art of War*, chapter 3

In essence, *The Art of War* is more about peace, making it certainly worth studying. Sun Tzu's message throughout book is that fighting should be used only as a last resort. In business this is no different. Oh, but you don't think we have battles in the construction industry. What are price wars? What are bidding wars? Just look at the vocabulary, and you get the message. True, we don't shoot at one another, but often the results are no different. Price and bidding wars often leave casualties all over the business landscape. The message is loud and clear that these types of situations should be avoided. Unfortunately, too many business generals, CEOs, fail to heed the following advice:

“It follows that a triumphant army will not fight with the enemy until the victory is assured; while an army destined to defeat will always fight with the opponent first, in the hope that it may win by sheer good luck.”

-- Sun Tzu, *The Art of War*, chapter 4

In a down economy, this advice is more important because the odds become ridiculous. I recently heard of a project in California where there were more than 40 bidders. What are your chances of getting that project other than by sheer good luck? If a bid costs \$10,000, then if you merely get your fair share in that environment it's going to cost you \$400,000 in estimating costs just to get a job. Some contractors would be better off going to Vegas

and playing the colors on the roulette wheel because the odds are 52 percent against you versus the 97.5 percent against you in the above bidding example.

Of course, some contractors would argue since they are better than the competition they will do better. True, but even as the true low-cost provider, you have no guarantee of success because with so many bidders it's likely that someone will make a mistake. They may go bankrupt, but that certainly doesn't help you. What's even scarier is that because the housing market is dead, I hear examples of residential contractors bidding on road and water treatment projects. Winning in that environment is nothing short of relying on luck.

Instead of relying on luck, it's imperative that a contractor focus on creating a strategy that differentiates his company from the competition and offers increased value to his clients and prospects. A strategy of excellence will assure victory without a battle. If you are the only contractor offering what the client wants, then there will be no competition or battle. Since even the largest contractors hold less than 1 percent of the industry marketplace, there is plenty of opportunity for contractors to focus on the situations where they have overwhelming competitive advantage. If a contractor has clear advantage over all the competition, most competitors will simply move on and the few that will attempt to rely on luck will usually be dismissed very quickly by the prospect.

In the next few issues of *The Garrison Report*, we will explore how the lessons from the Sun Tzu can help to create your unique strategy of excellence that will guarantee victory without fighting or, at the very least, limit your battles to those where you have overwhelming competitive advantage and, therefore, are assured victory.

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