



# *Worth Noting*

*Volume V, Issue IV, April 2005*

***Worth Noting is the journal of research and conferences company L21. It is focused on issues of relevance and interest to senior executives.***

Carl von Clausewitz is adored by military thinkers. Although born in 1780 in the small town of Burg not far from Berlin, he is still regarded as the preeminent theorist on war and on military strategy.

In addition to Sun Tsu's work *The Art of War*, von Clausewitz's collection of writings put together in one piece of work entitled *On War* are two of the business world's bibles when it comes to the definitive book on military strategy applied to business environments.

Perhaps strangely, Sun Tsu has gained a greater cult following than von Clausewitz in business circles even though von Clausewitz's book was a much more comprehensive and systematic piece of work. It is probably the case that Sun Tsu's style reads more like an easily referenced manual filled with pithy pearls of wisdom that serves more easily as a pocket book strategic guide. While *The Art of War* offers powerful one-liners like 'The war is won in the preparation, not the battle' or 'Make sure you know your enemy's strengths and weaknesses better than your enemy knows themselves', von Clausewitz is more likely to offer a whole chapter on a particular element of military conflict. Hence, while the style of Sun Tsu is to create an impression that one has stumbled upon a timeless guide on how to win wars that is accessible to anyone, von Clausewitz's style is more likely to create the impression that one has stumbled upon a PhD thesis written for the Prussian military academy.

*On War* might be less accessible but arguably more valuable because of the systematic and deeper conceptual insights that can be found even though they have to be distilled patiently and conscientiously extracted. One can find concise and priceless pieces of wisdom about strategy in von Clausewitz but they are not there staring us in the face.

In this edition of Worth Noting, we thought it might be interesting to look at one main aspect of von Clausewitz's thoughts and see how these might be translated into business principles that are at least as valuable as the lessons to be found in *The Art of War*.

### **Lesson One: Nature of any human endeavour is uncertain and chancy**

We intuitively agree that chance and uncertainty play a large part in the conduct and result of war as does anything that is centered on human action. Von Clausewitz is no different, devoting large parts of his work on this issue, and repeatedly gives prominence to those two factors:

**“No other human activity is so continuously or universally bound up in chance. War ... is in the realm of uncertainty; three quarters of the factors on which action in war is based are wrapped in a fog of greater or lesser uncertainty ... War is a gamble resembling closely a game of cards.”**

This might seem obvious. Chance and uncertainty are more or less a part of the human predicament and there would be no reason to presume that war (or business) is any different. So we might say that highlighting 'chance' and 'uncertainty' does not help us very much at all. Von Clausewitz is telling us what any twelve year old child could tell us. Events can occur randomly or without rhyme or reason. We all know we do not live in a strict deterministic environment.

Besides, just to take a skeptical viewpoint for a moment, if we emphasise chance and uncertainty too much, why bother to come up with a treatise on strategy? We would be powerless to control hardly anything anyway.

At the end of the first chapter, Clausewitz gives us the following metaphor for the nature of war:

**“As a total phenomenon its dominant tendencies always make war a remarkable trinity – composed of primordial violence, hatred, and enmity, which are to be regarded as a blind natural force; of the play of chance and probability within which the creative spirit is free to roam; and of its element of subordination, as an instrument of policy, which makes it subject to reason alone.”**

To summarise, war is a 'trinity' of: 1. blind natural forces such as hatred; 2. an uncertain chancy element that renders war the domain of the genius, not the scientist; 3. a (rational) instrument of policy to further political ends.

How is any of this helpful? To cut right to the point, because of the nature of what he believes war *is*, von Clausewitz sees war as largely art and only a part of it is science. Hence, the best strategists are the ones that deal best with chance and uncertainty, not the ones that deal best within assumptions of certainty and with objective data.

In his own words, the best strategist determines the “scope which the play of courage and talent will enjoy in the realm of probability and chance ... they must gauge the play of chance and probability within which the creative spirit is free to roam.”

To put it another way, the inherent unpredictability in war is what sorts out the good strategist from the bad strategist. It is not about just being lucky or unlucky because the differential is precisely the capacity to thrive in conditions of chance and uncertainty. The best strategist is the one that best deals in the real world of uncertainty, not the one that knows most in the abstract world of certainty.

Von Clausewitz emphasises the possibilities that chance might offer if the strategist is creative and brilliant enough to seize it. As Clausewitz seductively says:

**“Although our intellect always longs for clarity and certainty, our nature often finds uncertainty fascinating. It prefers to day-dream in the realms of chance and luck rather than accompany the intellect on its narrow and tortuous path of philosophical enquiry and logical deduction.”**

Claiming that the reality of chance can frequently be the harbinger of imagination and inspiration, “human nature can revel in a wealth of possibilities; which inspire courage to take wing and dive into the element of daring and danger like a fearless swimmer into the current.” This is really simply saying that chance not only allows the courage and daring of the commander to come through but encourages this courage which is so necessary for success in battle. War is a matter of decisiveness and determination once the decision has been made. Decisions in an uncertain world depend on quick calculations of probability. Once this is made, the best strategist must ignore peripheral battles and strike strongest where they believe the enemy is the most vulnerable, and have the strength to carry through.

What is the lesson here for the world of business as well as the conduct of war?

Von Clausewitz is warning against the strategist that treats the job as either something that is only a matter of chance but more pointedly against the strategist that sees things as a rigid, contained and deterministic activity.

We might even get von Clausewitz’s blessing to say that success in the business world is composed of a ‘trinity’ of different predictable and unpredictable elements that need to be considered and managed:

1. Human drives such as greed, achievement, power, social acceptance
2. Leadership within organizations that can deal well with chance and uncertainty
3. Objective and arbitrary needs in the market for certain goods and services

This is the nature of the environment that any business must operate. Any business leader that fails to understand the rational and non-rational aspects of the business world will not be a successful leader because they do not understand the inherent nature of any social environment. For example, if we look to understand the market opportunities according to what models tell us are the optimum outcome, our outlook is severely limited right from the beginning. We are not predisposed to improvise and grab hitherto unperceived opportunities. In another example, if we fail to understand the elements that drive human behaviour both within and external to our organizations and instead assume that all people at all times are perfectly rational beings, the business strategies we come up with would not be very useful.

To put it another way, the market is not only a function of quantifiable, rational variables. People have needs and wants that are not solely based on maximizing their (material) utility. The market is often irrational and information is always imperfect. How a business leader operates within these realities determines their strategic worth.

In business, according to these principles, there are two kinds of people who someone like von Clausewitz believes should not ever be the head strategist or leader of a company:

1. People who believe the world is all about luck and chance and that we can do nothing about it.
2. People who are comfortable only with certainties and use models that assume certainty. Rather than deal with uncertainty, this group of people use models that presuppose uncertain elements do not exist and therefore find it difficult to react to surprises that arise.

In treating chance as central to the nature of war, von Clausewitz took the middle ground between those who saw war as chaos and those who tried to eliminate chance altogether. Chance called forth creativity. In terms of a treatise on war, chance was inevitable but still could be intelligently applied. With his notion of chance, Clausewitz acknowledged the duality that we generally agree to be the case between human beings as rational and human beings as creative improvisers – human beings having been granted the capacity to deal with an unlimited array of unforeseen consequences.

## **Lesson Two: Characteristics leaders need to deal successfully in a world of chance & uncertainty**

In emphasizing the role of chance, von Clausewitz needed to look at successful action vis-à-vis chance and uncertainty. 'Chance' is undeniable – it is inherent in the nature of human experience and therefore in war. But uncertainty has to do with human limitation just as war is fundamentally about human weaknesses. This is where *On War* as a treatise for action comes in.

The reality of chance must be harnessed using two qualities:

1. The special 'character' qualities to deal with adversity or difficulty
2. The intellectual flexibility to deal with chance.

Uncertainty results not only because of chance but also because of human fallibility itself – the incorrect or slow flow of information, misinformed advice, weaknesses in psychological makeup of the troops and commanders, and so on.

In these situations, the quality of the 'military genius' is needed to master the "agonies of doubt and the perils of hesitation." Mental insight, then, is defined as "the quick recognition of a truth that the mind would ordinarily miss or perceive only after long periods of reflection." Insight is therefore married to determination and courage in the military genius. As von Clausewitz says:

**"Circumstances vary so enormously in war, and are so indefinable, that a vast array of factors has to be appreciated – mostly in the light of probabilities alone. The person responsible for evaluating the whole must bring to his task the quality of intuition that perceives the truth at every point."**

Clausewitz mentions other qualities which might be included in the makeup of the military genius: intelligence, strength of mind and character, energy and political acumen. But ultimately, the genius uses a combination of traits to compensate and improvise in order to achieve the desired goals.

If they cannot, the uncertainty of war will defeat them. In explaining the relationship between chance and uncertainty, von Clausewitz introduces the notion of 'friction'. Friction is the decremental loss of effort and intention caused by human fallibility, compounded by human psychological and physical weakness. Comparing the war effort to a piece of machinery, friction reduces the intended efficiency of the war effort, and becomes critical when coupled with chance.

The role of the military strategist is to comprehend the uncertainty and deal with any crisis that might occur – it is to reduce 'friction'. Rather than concentrate on trying to work out the laws of objective experience, von Clausewitz believes we should focus on the psychological consequences of uncertainty rather than the problems of correct information per se.

Switching to a lay person's psychology, Clausewitz brings up observations in his own experience in terms of what people tend to do in various kinds of situations to derive psychological patterns of observations and speculations. This might include the human tendency to "believe bad news over the good ... to exaggerate the bad news" or the "human preference for confirmation of initial impressions over alternative plausible explanations."

The general unreliability of information, writes von Clausewitz, "creates a kind of twilight, which like fog or moonlight, often tends to make things seem grotesque and larger than they really are." The problem for the strategist is not to eliminate uncertainty as this is impossible; it should be to reduce the ill effects they have in paralyzing or counterproductive action.

Observing Napoleon, Clausewitz notes that the commander was stronger for having deliberately put aside concern for what cannot be controlled; the mental act of leaving the inevitable contingencies to chance frees their energies to concentrate on what they can initiate and control. The commander must make an educated guess and act on it. The terrain of war is not certain – one can mould it to our advantage by courageous and decisive action. The key is to leave as little as possible to chance and where chance is an irrevocable factor, to take advantage of it vis-à-vis our enemy. In understanding and mastering chance and uncertainty, we are doing what the successful strategist must do for war is, for von Clausewitz, "the most uncertain and chanciest of all human activities."

Few would dispute that war is an inherent 'chancy' activity. We cannot predict what human beings will do with any certainty, or the strictly necessary consequences of our actions.

If we have overwhelming military superiority, we will probably win. But not many strategists can rely on overwhelming superiority.

In this sense, we would find it hard to disagree with von Clausewitz's beliefs as to the nature of war. His thoughts here might not seem significant but as a premise, it was revolutionary. Von Clausewitz dismisses attempts to systematize warfare with rules and formulas which was the trend at the time. Such systems are flawed because they concentrate only on those matters that are amenable to rules, and ignore those that are not (which is the greater reality about war). Such rules cannot touch on any permanent or universal aspect of war as these do not exist.

As a manual of how to fight any war, *On War* is not forthcoming but as a manual for the correct strategic mindset of the commander, it is supreme, because it takes note of the complexity of the operation and confronts the strategist with this fact. By oversimplifying war, we mislead commanders with the false security of tidy but irrelevant formulas. But by understanding the psychology of war, we are

in a better position to maneuver ourselves to advantage. This then is how war is an 'art'. It is not entirely devoid of principles but these must be founded on broader notions of human experience.

Compare what von Clausewitz wrote to what Churchill said about war years later:

**“An operation of war cannot be thought out like building a bridge; certainty is not demanded, but genius, improvisation and energy of mind must have their parts.”**

In fact, von Clausewitz summarises his own achievement by saying that:

**“Theory cannot equip the mind with formulas for solving problems. Nor can it mark the narrow path on which the sole solution is suppose to lie by planting a hedge of principles on either side. But it can give the mind great insight into the great mass of phenomena and of their relationships, then leave it free to rise into higher realms of action...”**

War then, in the face of chance and uncertainty, is not for the scientist – it is for the genius. Similarly, von Clausewitz would probably agree that true business leadership or entrepreneurship is not primarily for the accountant or the economist.

Accountants or economists might themselves be very good leaders but if they are, it means they must have gone beyond their formal training that deals with certain numbers and infallible models.

The best business leaders and strategists deal competently with objective data: accounts, financial modeling and so on. But they also deal with the inherent uncertainties of human activity: office politics, non-rational markets, political interference in the economy ...

If markets were perfectly rational and human beings were always perfect utility maximisers, then there would be no need of von Clausewitz's genius. The business world would be exclusively led by accountants and economists doing what accountants and economists do best – deal with quantifiable certainties. But because markets are much more complicated than that, it is the aspects of chance and uncertainty that prepares the environment for the exercise of boldness, intuition, and rapid insight to succeed.

Von Clausewitz's message was to consider war not as something unique but as yet another human activity although a much more violent and destructive one than others. This would similarly apply to business. If leaders fail to begin from this basic premise, that the market is a social entity, then they will only see the inevitable arrival of chance and uncertainty as elements to be feared and avoided, not elements that provide the opportunity to stand out.