



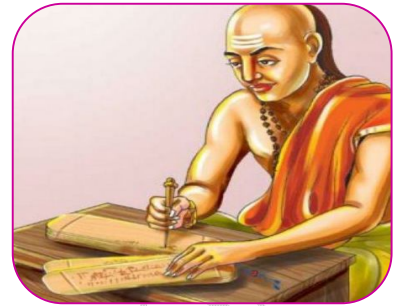
## COMPETITIVE STRATEGIES FROM THE ANCIENT INDIAN LITERATURE: A SPECIAL REFERENCE TO KAUTILYA'S 'ARTHASHASTRA'

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### ABSTRACT

The Arthashastra has been found as a "Book of Statesmanship" by many scholars and academicians in the area of management studies. But still, very little literature is available on Arthashastra's relevance to contemporary practices of management. There is a great scope and potential for exploring concepts Kautilya mentioned in the Arthashastra. This paper examines the Arthashastra from its perspectives on competitive strategies used by various organizations. The qualitative research method called hermeneutics has been used for interpreting the ancient scripts.

**KEYWORDS:** Arthashastra, Kautilya, Management by Indian Values, Indian Management Thought, Hermeneutics Methodology & Trade Management.

### INTRODUCTION

Management is always a context-specific integrative dimension of both— the business and the society. It uses the rules of almost every facet responsible to the existence of human and society. Mainly, these dimensions are sociology, psychology, economics, politics, and cultural anthropology (Muniapan, 2005; Muniapan & Dass, 2008). 'Arthashastra' an ancient Indian book by 'Kautilya' known as Chanakya presented such an administrative system that identically establishes a balance between society, economics and politics. It increases the interests of scholars and academicians in historical, religious, and philosophical studies in the academic area of business and management (Kale & Shrivastava, 2003). According to Chinmayananda (2003), applications of ancient philosophies cannot be effective in modern contexts without rational re-interpretation.

Today is the era of market liberalization, privatization and globalization, which has made the market furiously competitive. Probably every corporate house is looking to capture new markets, strengthening the existing markets, making new alliances in the form of Joint Ventures, going for acquisitions and mergers of other companies all over the world. The area of concern and operation is now prevailing world over. The policies of WTO, as well as the governments' liberal and business-friendly approaches combined with the IT revolution and new gates of the world market, has opened for today's business. Companies are competing with each other as if two enemies are fighting for winning the war. Here, we can use the common saying in the business world "Perform or Perish".

Ever-changing market scenario and continuously increasing competition are enforcing senior managers to look back the strategies mentioned in the history to revive the present business scenario. Various books on strategies and warfare are becoming popular for winning the war in the market. In the same way, Chanakya's Arthashastra presented a remarkable scholarly achievement. The management gurus are adopting the competitive strategies as advocated by Chanakya in his Arthashastra for meeting the

marketing challenges, may it be merger, acquisition or competition. Hence, it is imperative to management practitioners to identify the relevance of Arthashastra in managing with modern business situations.

### PURPOSE OF STUDY

1. To understand the contribution of Indian ancient scholars in the development of management concepts, policies and practices.
2. To study and analyze the concepts, policies and practices mentioned in the Arthashastra to find the concepts which can be used effectively in modern business management.

### METHODOLOGY

The subject studied used a deductive design of qualitative research directed toward finding management devices in the form of principles and practices. For looking into throughout the literature of Arthashastra and interpreting its concepts, practices and recommendations given in the different verses towards evaluating Arthashastra's significance to modern business practices, the methodology used called Hermeneutics. It has taken as the way to understand and interpret the ancient and religiously valued scripts.

### Competitive Strategies by Arthashastra

The book 7 of Arthashastra contains the "*Six measures of foreign policy*"<sup>247</sup> relating to the theory and practice of warfare and military strategies. These concepts are applicable in the field of management also as we can see below:

- |  |                                      |
|--|--------------------------------------|
| 1. <b>Sandhi</b> (peace-entering into a treaty)  | ( <i>Arthashastra Book 7, 1.6</i> )  |
| 2. <b>Vigraha</b> (war-doing injury)   | ( <i>Arthashastra Book 7, 1.7</i> )  |
| 3. <b>Asana</b> (staying quite-remaining indifferent)                                  | ( <i>Arthashastra Book 7, 1.8</i> )  |
| 4. <b>Yantra</b> (marching-augmentation of power)                                      | ( <i>Arthashastra Book 7, 1.9</i> )  |
| 5. <b>Sanshraya</b> (seeking shelter-submitting to others)                             | ( <i>Arthashastra Book 7, 1.10</i> ) |
| 6. <b>Dwaidhibhava</b> (dual policy- resorting to peace with one and war with another) | ( <i>Arthashastra Book 7, 1.11</i> ) |

These six strategies can be used by a business organization for dealing with various business situations and ensuring success.

**Sandhi (Peace-entering into a Treaty):** Chanakya has mentioned various situations when it is advisable and wise for a King to make peace or *Sandhi* with the enemy. He says that in the following conditions one should make peace:

परस्माद्दहीयमानःसंदधीत ॥  
Parasmāddhīyamānaḥsandadhīta.

"When in decline as compared to the enemy, the king should make peace".

(*Arthashastra Book 7, 1.13*)

तुल्य.काल.फल.उदयायांवावृद्धौसंधिम् उपेयात् ॥  
Tulya. Kāla. Phala. Udayāyāmvāvṛḍḍhousandhimupēyāt.

"In case the advancement takes the same time or bears an equal fruit for both, the king should make peace". (*Arthashastra Book 7, 1.23*)

तुल्य.काल.फल.उदयेवाक्षयेसंधिम् उपेयात् ॥

Tulya. Kāla.Phala. Udayēvākṣayēsandhimupēyāt.

“In case of decline lasts for the same period or leads to equal results for both, the king should make peace”. (*ArthashastraBook 7, 1.27*)

"तुल्य.काल.फल.उदयेवास्थानेसंधिम् उपेयाद् इत्य् आचार्याः॥  
"Tulya. Kāla.Phala. Udayēvāsthānēsandhimupēyād" ityācāryāḥ.

“In case the stable conditions last for the same period or leads to equal consequences for both, he should make peace”. (*ArthashastraBook 7, 1.30*)

The guiding factors have also been mentioned by Chanakya as to when which policy should be adopted. Chanakya says that the king should follow that policy by resorting to which he may be able to see his win. By resorting to these, a wise administrator shall observe various policies which enable him to decide concerning building forts, development of trade-routes, new plantation, exploitation of mines and forests and to harm the similar undertakings of the enemy in the same time (*ArthashastraBook 7, 1.20*). He should not follow that form of policy which ruin his own undertakings, but which cause no such loss of enemy (competitor(s)) (*ArthashastraBook 7, 1.24*).

In today's business context, when companies facing a tough competition and get fewer or no opportunities to grow, companies should go for peace or an alliance with the competitors. Here Sandhi or entering into peace serves solution in the form of alliances, joint ventures, MOU, franchising, co-branding, pooling resources together and/or working together for earning mutual benefits. These days in the business world, such kinds of alliances are very common as weaker company entering into an alliance with the stronger companies avoiding all sorts of price and promotion wars. As per the Chanakya's strategies when both the companies are flourishing at the same speed, an understanding between both will be a better strategy than fighting with each other and wasting time, energy and resources. Numerous examples in the market where two such companies developed an understanding of avoiding all sorts of price and promotion war such as McDonald & Coca Cola, Lays & Make My Trip, Glaxo Smith Kline Beecham (GSK), Indian Oil & Citi Bank Credit Card, Tata Land Rover Jaguar, etc..

Even with this strategy of peace with the enemy, as per Chanakya, one can become the ultimate victorious by attracting the opponent's best-talented persons to his side by paying those higher remunerations. Many companies world over in various field are adopting this strategy. They are not at war with the other company or their competitors but to attract their talent at a higher salary and make themselves stronger over a period of time. We have an example of HP and ORACLE, both entered into a strategic alliance (Moorhead, 2015; On the Mark, 2018). HP recommended ORACLE for its servers and ORACLE did the same for HP. It was for the mutual benefit and without war with each other through *Sandhi* or peace.

**Vigrah (War-doing Injury):** It is an aggressive strategy which the business house can adopt when it is prospering and its position is very strong in the market. The business house can take the help of an ally also in fighting with the competitor. *Chanakya* has said

अभ्युच्यमानोविग्रहीयात् ॥  
Abhyuccīyamānōvigrḥīyāt.

“The king should make war when he is prospering.” (*ArthashastraBook 7, 1.14*)

यदावापश्येत् "स्व.दण्डैर्मित्र.अटवी.दण्डैर्वासमंज्यायांसंवाकर्शयितुम् उत्सहे  
इतितदाकृत.बाह्य.अभ्यन्तर.कृत्योविगृह्य\_आसीत् ॥

Yadāvāpaśyēt "sva. Daṇḍairmitra. Aṭavī. Daṇḍairvāsamañjyāyānsamvākarsayitumutsahē"ititadākṛta.  
Bāhya. Abhyantara. Kṛtyōvigrhya\_āsīta.

"When an emperor is certain that his own resources are brave, unified, prosperous, and able not only to continue their own work without interfering but also to harass his enemy's works, then he may keep calm after declaring war."  
(*Arthashastra Book 7, 4.5*)

At the point when a head is sure that his own subjects are valiant, joined together, prosperous, and capable not exclusively to carry individually works without obstruction, yet in addition to pester his foe's works, at that point he may stay silent in the wake of broadcasting war.

Based on the above analogy of Chanakya, if a company is prospering and its profits are continuously in the rising trend, it is highly recommended that it should go for a war with the competing company by means of price and other avenues. Only in such situation, the company can afford the price and promotional war with its competitor because it will have good profits, resources to do so.

A company can also destroy or weaken its competitors by joining hands with equal or a stronger company or a business partner and using his resources and strength. Chanakya said in Arthashastra that the king can use his own troops or his ally's troops to weaken the equal or stronger king. For doing so two companies can form an alliance and use their resources to fight or eliminate the competing company.

**Asan (Staying Quiet-remaining Indifferent):** This strategy of staying quiet or remaining indifferent in business is very beneficial when a company foresees that the competitor will not be going to harm it and hence it is better to concentrate on own business. Chanakya has said that

"नमांपरोन\_अहंपरम् उपहन्तुंशक्तः" इत्य् आसीत् ॥  
"Na māmparōna\_ahamparamupahantumśaktah"ityāsīta.

When the king thinks "his prosperity, in the long run, to be greater than his enemy and the enemy is unable to harm him", he should stay quiet. (*Arthashastra Book 7, 1.15*)

He further says that "perceiving 'I shall decline after a long time or to a lesser extent or in such a way that I shall make greater advancement, the enemy (will decline) in a reverse manner', he should remain indifferent to his decline" (*Arthashastra Book 7, 1.26*)

Based on the above analogy, a company can adopt a strategy of staying quiet or remaining indifferent against their competitor. This strategy is effective when a company's position is stronger than its competitor or when it sees no threat from the competitor. The company gets benefits by adopting this strategy as its resources are not been wasted. This strategy is very useful in certain industries such as an automobile, electronics, steel, cement as the companies remain indifferent to the moves of other companies and concentrate on their own.

**Yan (Marching-augmentation of Power):** Chanakya advice in the Arthashastra, when the administrator is confident that he is in a position to demonstrate and get the benefit, he should express.

गुण.अतिशय.युक्तोयायात् ॥  
"When possessed of a preponderance of excellent qualities, he should march."  
(*Arthashastra Book 7, 1.16*)

यदिवामन्येत "यान.साध्यःकर्म.उपघातःशत्रोः, प्रतिविहित.स्व.कर्म.आरक्षश्च\_अस्मि" इतियानेनवृद्धिम् आतिष्ठेत् ॥

If the king is of the opinion that "That by marching my troops it is possible to destroy the works of my enemy; and as for myself, I have made proper arrangements to safeguard my own works," then he may augment his resources through marching.

*(ArthashastraBook 7, 1.35)*

In the context of competitive strategy with a strong position, good profits, good human resource, a company can exhibit ahead for their further progress and be better than competitors. History is here to tell us that by adopting this strategy various countries ruined the economy of other countries. Big business houses and Multinational organizations progress very fast because of their superior position in comparison to other companies.

**Sanshrya (Seeking Shelter-submitting to others):** Chanakya had suggested that when the king feels 'he is weak' or 'not in a position to fight/compete the stronger king', he should take shelter.

शक्ति.हीनःसंश्रयेत् ॥

"Depleted in power, he should seek shelter"

*(ArthashastraBook 7, 1.17)*

If a ruler thinks that "I am strong enough neither to ruin my enemy's undertakings nor to avert my own undertakings against my enemy", then he should look for shelter from a strong emperor and tries to pass from the phase of weakening to that of stagnancy and staleness and from the last to that of advancement.

*(ArthashastraBook 7, 1.35)*

In the field of business, if a company is weak and is not in a position to survive individually or compete with available competitor company(s), it may form an alliance with any of strong company or can get itself merged with a strong company. There have been so many such examples where weak companies have either formed an alliance or have merged with the stronger or competing companies. Acquisition of Daewoo Electronics Corporation with Videocon (Times of India, 2006; DNA, 2006; Business Standards, 2013) is the example.

**Dwaidibhav (Dual policy- Resorting to Peace with One and War with Another):** Chanakya has said "If king thinks that I shall promote my own undertakings by peace on one side and ruin the enemy's undertakings by war on the other side, he should secure advancement through a dual policy" *(ArthashastraBook 7, 1.37)*. He further advised "Resorting to dual policy, the king should seek to obtain from one of the neighbouring kings' troops in return for treasury or treasury in return for troops" *(ArthashastraBook 7, 7.3)*.

In the field of business management, it means that a company may enter into an alliance with one company on the one hand and may adopt the strategy of competing with another company in the same industry. By adopting this strategy, the company gains by being able to use the strengths and resources of other company to fight with the stronger company. A dual policy is a win-win policy for both the companies forming a pact. This policy has been adopted by many Indian companies successfully.

### Arthashastra's Marketing System

Chanakya presented a well-defined marketing system in his Arthashastra. There was a **Trade Control System**. Merchandise was not sold in the places where they produced, but they sold just at the assigned markets or brought into the city and sold by paying taxes imposed *(ArthashastraBook 2, 22.9)*. There were separate rules for the sale of imported goods and locally produced goods. There was an incentive for



imported goods. The superintendent of commerce was fixed the profit margin of 5% for domestically produced goods and 10% for the imported goods. Trade control system was maintaining this commercial pattern; merchants who raise or reduce their commodity price even to the amount of half Panas<sup>1</sup> in the sale or purchase were punished with a fine of 5 Panas or more (*Arthashastra Book 4, 2.28*).

There was a system of **Price Support**. When there was an abundant supply of merchandise, the **Chief Controller of State Trading** used to create a buffer stock by paying a cost higher than the market value. When the market value reaches the support level, he used to set the price as market circumstances require (*Arthashastra Book 2, 16.2-3*). Similarly, he used to ascertain the profitability by a business with a foreign nation. He used to trade with such foreign countries as would generate profit, he avoided unprofitable areas.

Whole trade was well regulated and controlled. Goods for import and export were categorized and customs duties were imposed accordingly. Defaulters were punished with fines commensurate with the type of crime/offence.

It was surprising to see that measures for the consumer protection also employed during the time of the Mauryan King Chandragupta Maurya. There were various fine prescribed for non-fulfilment of commitments by the trades. These provisions are both for sale and purchase of articles, animals and humans. Different fines have also been prescribed for non-conveyance of gifts, sale without ownership and forcible seizure. The issues such as non-delivery of goods at an agreed date after its selling, goods being defective, a period of retraction for different items have been elaborated by Chanakya in chapter fifteen of *Book 3* of the Arthashastra. In *Book 4*, chapter one of the Arthashastra, Chanakya has mentioned the precautions/ measures to ensure that the common men are not exploited by the artisans, professionals and traders. Major professionals as mentioned in the Arthashastra are ordinary artisans, weavers, washermen, tailor, goldsmith, jeweller, doctors, actors, and dancer. It is mentioned that three magistrates of the rank of ministers shall carry out the suppression of the criminals. Various types of punishments and fines are mentioned for any violation of the laid down norms for each profession and the agreed quality of the work.

In the same way, strict standards have been prescribed for traders against the exploitation and malpractices for the public. **The Superintendent of Markets** was to supervise the activities of traders. Norms and standards were set to ensure the quality and quantity of the product/item sold and purchased. He was to inspect the weights and measures to prevent any fraud in the standard of weights and measures. Costs and level of benefits for different goods and services were predetermined. Fines were specified for differences in weight or measure(s) or variation in cost or quality, mixing things of similar kinds with goods, such as grains, fats, sugar, salts, fragrances, and medicines. Provisions for taking adequate measures were there to be taken by the Superintendent of Market. Director of Trade was also to take measure to avoid glut or scarcity of the commodities at one place. The profit, income and price policy was to be ensured after taking in to account the investment, the production of the goods, duty, interest, rent and other expenses.

## CONCLUSION

On analyzing what has been discussed in the Arthashastra of Chanakya and as narrated above, it becomes crystal clear that whatever Chanakya has mentioned in his "six measures of foreign policy" in *Book 7* of the Arthashastra is applicable in the today's real-life business situations. Many organizations have already integrated into their business strategies successfully. In fact, the possible real-life situations in the business field such as the formation of joint-ventures between two companies and business houses, acquisition, merger, being aggressive and other situations can be handled and very well managed with these measures/strategies mentioned in the six measures of foreign policy by Chanakya.

It has been acknowledged that the measures of foreign policy propounded by Chanakya are very well applicable in today's business situations, which are very tough and volatile due to the open economy and liberalization policy of the government(s). The various probable situations as Chanakya enumerated in

<sup>1</sup> Currency during Mauryan emperor in India

Arthasastra are very well defined and well laid down. The measures/strategies were result-oriented and situation based on ensuring sure success. During the time of Chanakya, the market was well regulated, and the interest of the government, traders as well as consumers were well taken care of and protected. Import and Export of goods were also well planned, regulated and well organized. Traders and various professionals, including doctors, were subject to incentives as well as punishment (if required).

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