

Session 2

A Theory of Competitive Advantage

In this session you will learn:

1. How Hannibal used the laws of physics that govern battles as the basis for his victory
2. How to use the insights from military strategy as the basis to gain competitive advantage in competitions in which a successful outcome is the only objective

Three Strategic Models

1. **GAMES AND SPORTS: IT'S THE GAME THAT COUNTS**

- Create level playing fields
- Neutralize unfair advantage
- Conscious strategizing

2. **BIOLOGY: WHAT DESERVES TO WIN**

- Capture resources effectively
- Convert resources efficiently
- Incremental strategic change (niche)

3. **WAR: WHO WILL WIN**

- Fight only if assured of winning
- Victory depends on force and violence
- Conscious strategizing

The 2nd Punic War: The Battle of Cannae

TIME: *216 BC*

PLACE: *Cannae*

COMPETITORS: *Hannibal of Carthage
and
Varro of Rome*

Hannibal vs. Carro at Cannae

HANNIBAL: *2,000 light cavalry*
 20,000 infantry

VARRO: *1,000 heavy cavalry*
 1,000 light cavalry
 70,000 infantry

Varro's Army

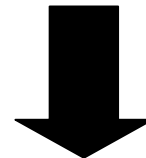
70,000 ON FOOT
2,000 MOUNTED



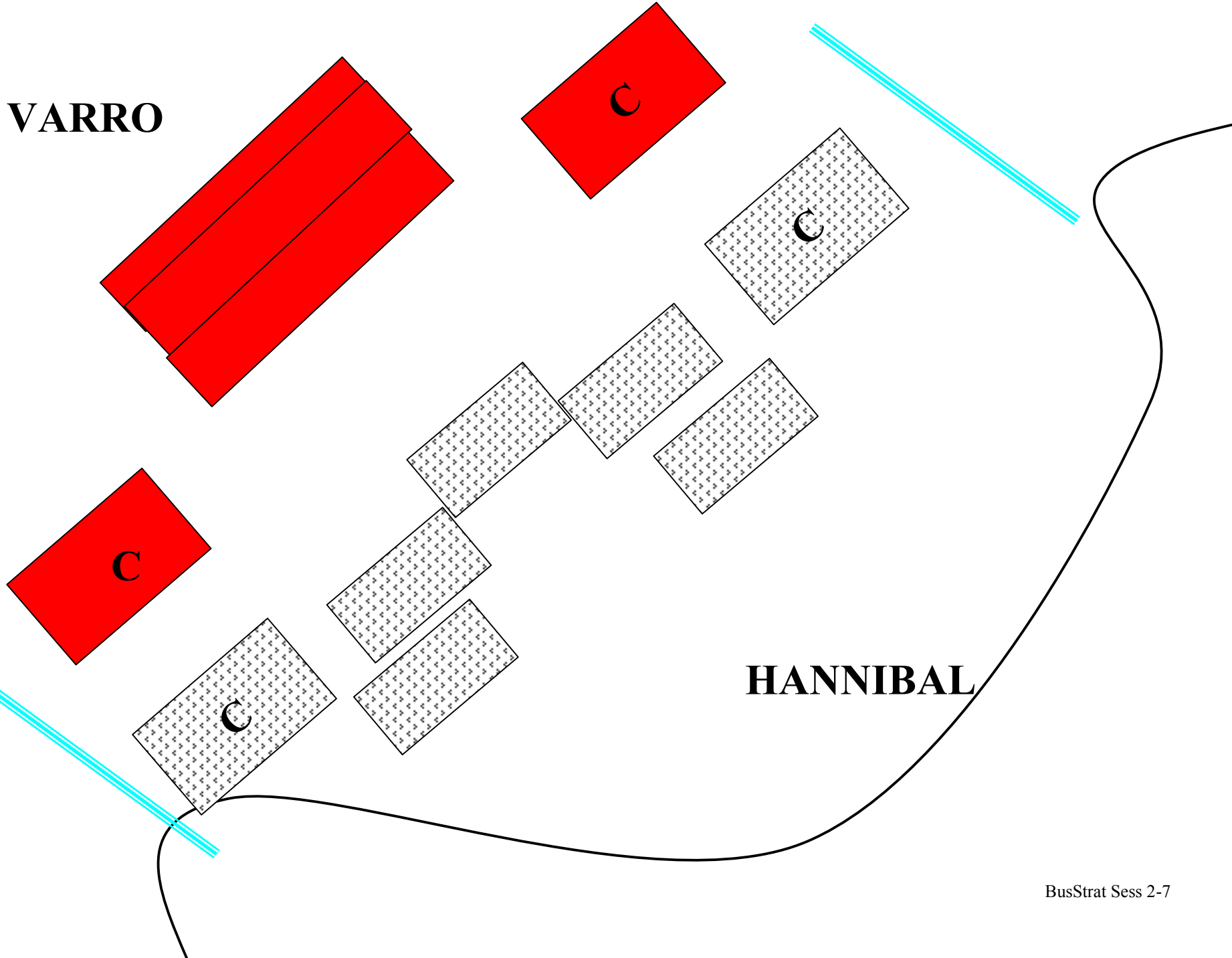
HANNIBAL
20,000 FOOT
2,000 MOUNTED

Aufidius River

CANNAE

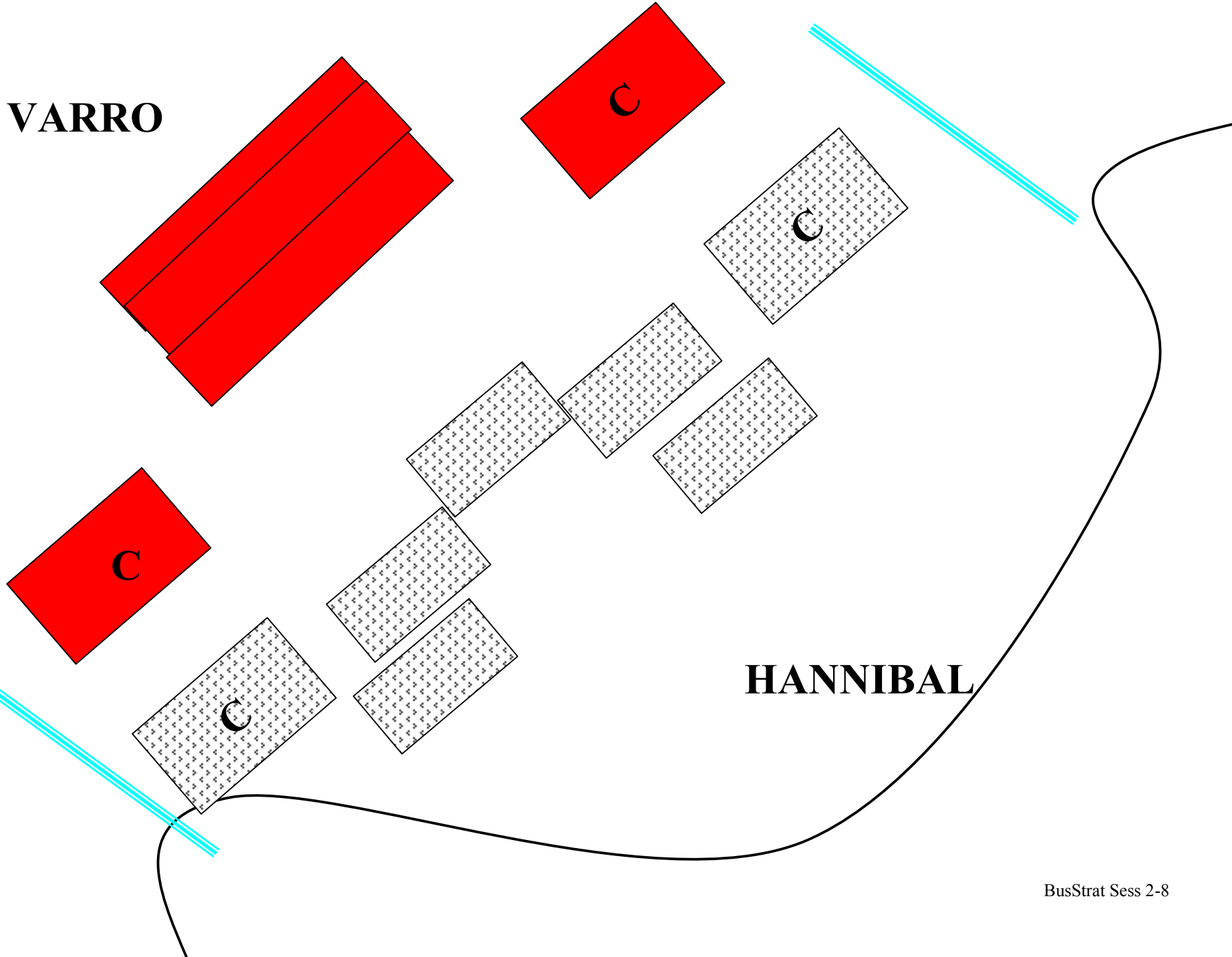


VARRO



HANNIBAL

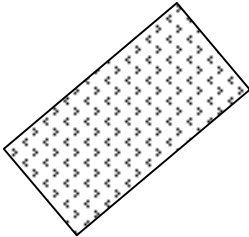
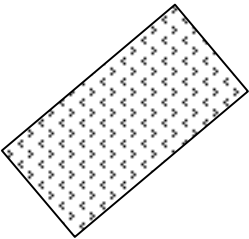
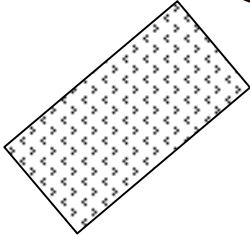
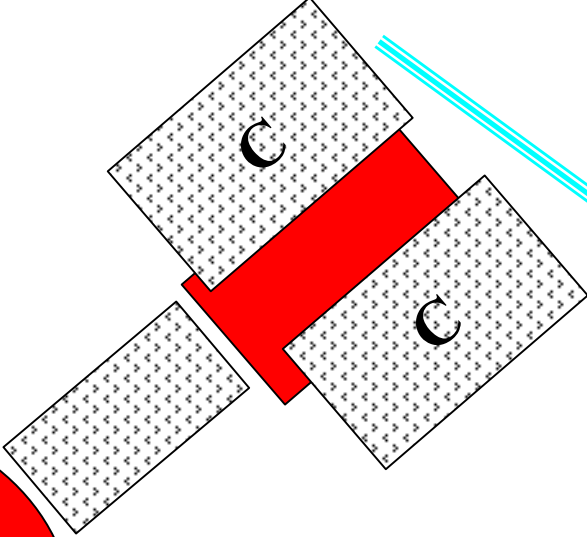
VARRO



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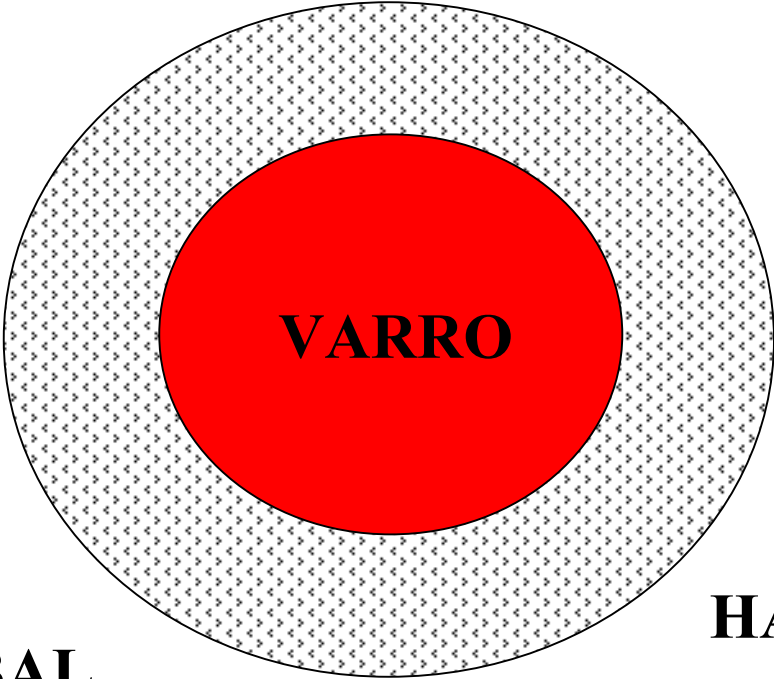
HANNIBAL

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HANNIBAL

HANNIBAL

Why Did Hannibal Win?

- Understood strategic situation
- Gathered and used competitive intelligence
- Created advantage in cavalry
- Nullified enemy's superior resources
- Implemented strategy with precision

The Lessons of Cannae

- Strategic thinking can overcome superior resources
- Decisively allocate resources
- Gain advantage in some dimension
- Neutralize competitor's advantage
- Competitive intelligence is necessary
- Planning and execution is equally important

Key Strategic Insights from the Military

- Fight only if there is no other way of obtaining the objective
- Defense is the stronger form of competition
- Attack only those you can beat
- It is better to attack the competitor's will to compete

Defense is the Stronger Form of Competition

**First
Entrant**

**Parity
Product**

$$\text{VALUE} = \frac{\text{UTILITY}}{\text{PRICE}}$$

Defense Requires Less Resources

<u>Mission</u>	<u>Manpower ratio</u>
Slow Enemy Attack	1:6
Fortified Defense	1:3
Unfortified Defense	1:2.5
Flank Counterattack	1:1
Attack	3:1

More Strategic Insights from the Military

- Superiority in the essential competitive factor is paramount
- Strategy requires the exploitation of unique strengths
- Victory must preserve the value of the objective