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

BusStrat Sess 2-6
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

\[
\text{VALUE} = \frac{\text{UTILITY}}{\text{PRICE}}
\]

First Entrant

Parity Product
## Defense Requires Less Resources

<table>
<thead>
<tr>
<th>Mission</th>
<th>Manpower ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slow Enemy Attack</td>
<td>1:6</td>
</tr>
<tr>
<td>Fortified Defense</td>
<td>1:3</td>
</tr>
<tr>
<td>Unfortified Defense</td>
<td>1:2.5</td>
</tr>
<tr>
<td>Flank Counterattack</td>
<td>1:1</td>
</tr>
<tr>
<td>Attack</td>
<td>3:1</td>
</tr>
</tbody>
</table>
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