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Five Killer Strategies for Trouncing the Competition

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Winners in business play rough and don't apologize for it.

Toyota has steadily attacked the Big Three where their will to defend was weakest, moving up the line from compact cars to mid- and full-size vehicles and on to Detroit's last remaining profit centers, light trucks and SUVs. All the while, Toyota has dared its rivals to duplicate a production system that gives the company unmatchable productivity and quality.

Dell is similarly relentless, and ruthless, in dealing with competitors. Last summer, the day after Hewlett-Packard announced weak results because of price competition in PCs, Dell announced a further across-the-board cut—delivering a swift kick to a tough rival when it was down.

Wal-Mart is well known for its uncompromising stance toward suppliers. In 1996, Rubbermaid, a $2 billion business that a few years earlier had been *Fortune*'s most admired company, ventured to contest Wal-Mart's pressure on suppliers to lower their prices—and Wal-Mart simply cut Rubbermaid off. (Newell acquired a struggling Rubbermaid in 1999.) Wal-Mart doesn't pull punches with competitors, either. In recent years, as Kmart floundered in bankruptcy proceedings, Wal-Mart rolled out a knockoff of Kmart's Martha Stewart product line, putting pressure on one of the tottering retailer's few areas of success.

Hardly anyone would dispute that Toyota, Dell, and Wal-Mart have epitomized corporate success over the past decade. But the raised eyebrows they provoke—recent *BusinessWeek* cover articles have included "Can Anything Stop Toyota?" "Is Wal-Mart Too Powerful?" and "What You Don't Know About Dell"—suggest there's something not quite kosher about the way they achieve that success.

That's because Toyota, Dell, and Wal-Mart play hardball. What do we mean by this? Hardball players pursue with a single-minded focus competitive advantage and the benefits it offers—leading market share, great margins, rapid growth, and all the intangibles of being in command. They pick their shots, seek out competitive encounters, set the pace of innova-

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tion, test the edges of the possible. They play to win. And they do.

Softball players, by contrast, may look good—they may report decent earnings and even get favorable ink in the business press—but they aren't *intensely* serious about winning. They don't accept that you sometimes must hurt your rivals, and risk being hurt yourself, to get what you want. Instead of running smart and hard, they seem almost to be standing around and watching. They play to play. And though they may not end up out-and-out losers, they certainly don't win.

This may reflect the recent emphasis of management science, which itself has gone soft. Indeed, the discourse around a constellation of squishy issues—leadership, corporate culture, customer care, knowledge management, talent management, employee empowerment, and the like—has encouraged the making of softball players.

Look at the titles of some recent business books. *Who Moved My Cheese?* (Come on, what are you, a man or a mouse?) Or *Fish! A Remarkable Way to Boost Morale and Improve Results*. Or *Servant Leader*. Or *Hug Your Customers*. Softball books accounted for probably four out of five of the titles on the business best-seller list in the last ten years—and even more in the past five years. This trend is not good for the people in your organization who read this stuff or are sent to hear the authors speak.

Now, the word "hardball" may be difficult for some people to swallow. In business, it smacks of corporate moguls and robber barons—Andrew Carnegie sending armed Pinkerton's men and gunboats into mill towns to fight the unions. It sounds like the kind of game played by former Sunbeam CEO "Chainsaw" Al Dunlap, whose memoirs were entitled *Mean Business* and who was eventually barred by the SEC from ever again being an officer of a public company.

But hardball is *not* about playing beyond the lines of legality. Enron and WorldCom may have appeared to be hardball competitors, but they in fact used a classic softball tactic: manipulating (whether legally or illegally) results to make yourself look better. Hardball players don't cheat.

But they can cause discomfort. In sports, after all, playing hardball means brushing back an aggressive batter with a 100-mile-an-hour pitch. It means bare-knuckle boxing, John L. Sullivan–style. It means giving someone a head fake in a pickup basketball game on a city court littered with broken glass—and leaving him sitting on his rear.

Hardball is not only intense, it's efficient. It cleanses the market. It makes companies strong and vibrant. It results in more affordable products and services, as well as more satisfied customers. It makes competitors sweat. Flabby rivals will sometimes gasp that hardball players are playing *too* hard, that their advantages are "unfair" or "anticompetitive." Softball players may demand trade restrictions or take their complaints to the press—or to the courts. They will posture and pout. Meanwhile, they will let billions of dollars of shareholder wealth drip, drip, drip into oblivion.

Hardball players are immune to this sort of thing. In fact, they have a name for it. They call it whining.

The Hardball Manifesto

We believe the time has come to rebalance the hard and the soft. Softball players that have survived until now—think of most airlines, the U.S. auto industry, the recording industry, to name a few examples—are in deep trouble. Hardball players are taking their places at an unprecedented rate. Companies join and fly off the *Fortune* 100 list faster than ever before. In this quicker, tougher world of business, playing hardball is not an option; it is a requirement for winning.

Ready to relearn the fundamentals of winning and losing? Start with the Hardball Manifesto. It lays out the keys to becoming an effective hardball player.

Focus relentlessly on competitive advantage. The history of business is littered with the remains of companies whose competitive advantages, once robust, simply withered away. Hardball players, by contrast, strive to widen the performance gap between themselves and competitors. They are not satisfied with today's competitive advantage—they want tomorrow's.

Although a lot of companies talk about competitive advantage, few are able to put a finger on exactly what theirs is, and fewer still can quantify it. Hardball players know—empirically—what theirs is and exploit it ruthlessly.

Companies that relentlessly pursue competitive advantage are wonders to behold. Wal-Mart is first and foremost a logistics company,

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and it established its competitive advantage in discount retailing in the 1970s with a network of "cross-docking" warehouses. Goods from suppliers were accepted only in full truckload quantities. They were then moved across the dock and loaded onto other trucks that later departed fully loaded with a variety of goods going to stores.

But Wal-Mart didn't stop with this drastic reduction in its transportation costs. It went to "everyday low prices" to stabilize demand and thereby further reduce costs. Supercomputers were installed to track and analyze consumer purchases, competitor prices, and other information. Satellites beamed the data from stores to suppliers and on to warehouses, helping to keep inbound and outbound trucks full and shelves stocked. Suppliers were told exactly when to deliver shipments to warehouses; if they missed the window, their shipments might be returned until the next window opened—or rejected altogether. Wal-Mart also used sales and inventory data to tell companies like Rubbermaid which products it would carry—no matter what the companies thought was the appropriate merchandising of their lines.

Wal-Mart continues to tighten the bolts on this system, so far without any signs of shearing. In Wal-Mart's intense and relentless effort to further increase efficiency, suppliers' costs and consumer prices are, apparently, expected to decline forever.

Strive for "extreme" competitive advantage. To hardball players, there's something far more important than competitive advantage. It is, in effect, extreme competitive advantage, which is the ultimate endgame. Unlike plain old competitive advantage, which can be fleeting, this is something that puts you out of the reach of your competitors. They're likely to cry that such an advantage is unfair—not because it's unjust, but because no matter how hard they try, they cannot match it. Often, the hardball competitor has an economic system that is unassailable. Or a relationship with a customer or a supplier that is not available to its competitors. Or capabilities such as fast product development or superior customer knowledge that others cannot replicate.

Toyota's production system, for example, is so much better than any other automaker's that the company practically flaunts it. The system lets Toyota produce, at both high and low volumes, a great variety of high-quality vehicles at very low cost. Toyota is so confident that its system cannot be replicated that it has welcomed competitors into its factories. "Study us all you want," the company has said. Despite decades of trying, no rival has matched Toyota's system. Toyota continues to push the boundaries of its advantage with a new type of flexible assembly line—dubbed the Global Body Line—that costs 50% less to install and can be changed to accommodate a new model for 70% less than Toyota's previous production system.

The rewards to Toyota have been spectacular. Its global market share has steadily risen from 5% in 1980 to more than 10% today, with each point of market share worth about $10 billion in revenue. Toyota, which recently overtook Ford as the world's second-largest automaker (in terms of volume), says its global market share goal is 15% by 2010. Does anyone want to bet against it?

Avoid attacking directly. Perhaps paradoxically, hardball players avoid direct confrontation. That's because they're smart. History shows that for a military force to be reasonably assured of success in a direct attack, its strength must be several times greater than its opponent's. That's not a prospect hardball players like. Even if they have the strength, they prefer the economies of force inherent in the indirect attack.

Southwest Airlines' unusual but highly successful route strategy is a classic indirect attack. Traditional airlines built huge competitive strengths in their hubs; for example, United has nearly 1,000 flights in and out of Chicago's O'Hare airport every day. Southwest chose not to attack the major airlines on their well-defended turf. Instead, it opened operations in small, out-of-the-way airports. For instance, bypassing Boston, it offered service out of Manchester, New Hampshire, and Providence, Rhode Island. Instead of trying to get slots at O'Hare or New York's LaGuardia airport, it set up operations at Chicago's Midway airport and at Islip on Long Island. Not surprisingly, there were no bloody battles with the major airlines for control of these locations.

Once Southwest was established in the smaller airports, the major carriers faced a dilemma. How could they respond to Southwest's small-airport success without stepping out of their well-protected foxholes at the

Hardball

The Manifesto

Relearn the fundamental behaviors of winning:

- Focus relentlessly on competitive advantage.
- Strive for "extreme" competitive advantage.
- Avoid attacking directly.
- Exploit people's will to win.
- Know the caution zone.

The Strategies

Deploy these in bursts of ruthless intensity:

- Devastate rivals' profit sanctuaries.
- Plagiarize with pride.
- Deceive the competition.
- Unleash massive and overwhelming force.
- Raise competitors' costs.

Flabby rivals will posture and pout. Hardball players have a name for this. They call it whining.

major airports? Should they compete directly with Southwest in smaller airports where Southwest had built a competitive advantage? Or should they create their own non-hub-based airlines to compete with Southwest? With either response, the major carriers would be playing into Southwest's game. And, in fact, no major carrier has yet resolved this dilemma. Numerous attempts to confront Southwest directly—for example, Continental Lite—have failed. Meanwhile, Southwest continues to push into small cities. Its well-documented success as other airline companies teetered after the September 11, 2001, tragedy only confirms just how savvy Southwest was.

Exploit people's will to win. Hardball requires guts as well as smarts. Victory often belongs to those who want it the most. Southwest's founder, Herb Kelleher, despite his aw-shucks persona, is a hardball player, and Southwest is a hardball team. Don't be fooled by its touchy-feely image in the media—or by its stock ticker symbol, LUV. Sure, in a syrupy training video, one animated character tells employees, "Spirit is engaging our minds and our hearts and our souls to do the right thing. Southwest spirit is you." But in an advertisement for the whole world to see—including employees—Southwest once crowed: "We came. We saw. We kicked tail."

This is a great mantra for hardball players. To achieve competitive advantage and drive toward extreme competitive advantage, hardball players must be action oriented, constantly impatient with the status quo. Fortunately, one can foster this will to win and turn softball players into hardball players.

One way to do this is by adopting hardball strategies of the kind we describe below. These by themselves can help release people's natural desire to win. But to really turn softball players into hardball players, you need to create and maintain in people a hardball attitude. This becomes more difficult as your advantage over competitors grows and people become complacent. As Kelleher said in a letter to all employees in the early 1990s, "The number one threat is us." He added: "We must not let success breed complacency; cockiness; greediness; laziness; indifference; preoccupation with nonessentials; bureaucracy; hierarchy; quarrelsomeness; or obliviousness to threats posed by the outside world."

To avoid such complacency, you need to foster a sense of urgency. Once, in response to United's launch of a competing service in several California cities that were served by Southwest, Kelleher dispatched a letter to employees with the headline "Commencement of Hostilities." Noting that United had more than 100 planes that could be "hurled against us" on the contested routes, he warned that "our stock price, our wages, our benefits, our job security, our expansion opportunities…are all on the line." In several cities where the competition was fiercest, Southwest employees came to work wearing camouflage outfits and battle helmets.

Know the caution zone. Hardball involves playing the edges, probing that narrow strip of territory—so rich in possibilities—between the places where society clearly says you can play the game of business and those where society clearly says you can't. The hardball player ventures closer to the boundary, whether it be established by law or social conventions, than competitors would ever dare.

But to play the edges, you have to know where the edges are. This is perhaps the most complex and daunting aspect of hardball. So hardball players do their homework. They know their industries cold. They have the legal and accounting counsel to help them determine what they can and can't do. But the answers often are far from clear.

A few guidelines can help you navigate your way through the caution zone when considering an action:

• Does it break any existing laws? It goes without saying that hardball isn't about playing dirty: You brush a batter back but you don't aim for his head; you throw hard but you don't doctor the ball with spit. Keep in mind, though, that a legal standard is often less than crystal clear. By aggressively pushing the limits of existing regulations, a hardball player can sometimes win tremendous competitive advantages.

• Is the action good for the customer? If so, a move otherwise subject to challenge may be found acceptable by the courts or legislators. If it isn't, you may be creating an army of malcontents eager to assist in your downfall.

• Will competitors be directly hurt by it? Putting competitors in situations in which they inflict damages on themselves is acceptable—for example, enticing a rival to invest in an area where it has no hope of winning. Overtly hurting a competitor by, say, buying a key supplier

and then cutting off your rival may win you the wrath of others you do business with, even if the move is legal.

• Will the action touch a nerve in special-interest groups? Organizations of people who don't want to be customers but want to impose their point of view on those who might be customers—think, for example, of the ecoterrorists who have set fire to Hummers and other sport-utility vehicles—can create costly public relations disasters for companies.

Microsoft regularly plays in the caution zone, to its benefit and detriment. The company's seeming disregard for the damage it can inflict on competitors by refusing to share ownership of the PC desktop has mired it in lawsuits. At the same time, its assertion that customers benefit from its approach—a view shared by many—has undoubtedly reduced the impact of the numerous legal attacks by competitors and regulators.

At the risk of repetition, let us stress once again that hardball is not about breaking, or even bending, the law. It is not about crooked accounting, breaching contracts, stealing trade secrets, or predatory pricing. It's not about being mean.

Well, not too mean. The nicest part of playing hardball is watching your competitors squirm.

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5 Hardball Strategies

How do you become a hardball player? While there are countless ways to play hardball, a handful of classic strategies are timelessly effective in generating competitive advantage. These methods are best employed in bursts of ruthless intensity. The aim: a dramatic shift in your competitive position, followed by consolidation of the gains and preparation for the next attack.

Devastate rivals' profit sanctuaries. Profit sanctuaries are the parts of a business where a company makes the most money, where it can quietly accumulate wealth, like a bear storing up fat for winter. If a rival starts pushing into one of your territories, you respond by attacking his plump underbelly. He should get the message, fast.

There are numerous ways to devastate a competitor's profit sanctuary—for example, flooding the market with advertising or making across-the-board price cuts—but the most effective strikes are surgical. Some of these can take you deep into the caution zone, and the legality of each must be considered. Given the competitive sensitivity of this strategy, companies that have successfully employed it are rarely willing to describe it in detail. The following disguised example is one such case.

A few years ago, vacuum cleaner maker VacuCorp was having a problem with a rival. SweepCo was cutting into VacuCorp's fattest profit sanctuary—its product range sold to national retail accounts—by lowballing its products to the same buyers.

VacuCorp did a competitive deconstruction of SweepCo's business. The company's managers looked at everything—products, pricing, design, distribution—and finally found what they were looking for at a SweepCo plant in Iowa. Here, SweepCo made the canister type of vacuum cleaner, the kind that rests horizontally on wheels and has a long hose and a cord that always seems to be tangled. Most manufacturers had stopped making canisters. As a result, they were a rich profit sanctuary for SweepCo. VacuCorp estimated that canisters, which accounted for only 25% of SweepCo's revenue, produced 80% of the company's profits.

That's all VacuCorp needed to know. VacuCorp designed a canister with fewer parts and less expensive components than SweepCo's. VacuCorp then set the new canister's price below SweepCo's—and waited. Whenever SweepCo attempted to lowball one of VacuCorp's national accounts, VacuCorp went after one of SweepCo's major accounts with its own low-priced canister. After several of these skirmishes, SweepCo figured out what was going on. SweepCo stopped lowballing VacuCorp's customers. Peace settled over the vacuum cleaner industry.

Knowledge is the key to devastating a competitor's profit sanctuary. You need to know, among other things, your own and your competitor's costs and profitability—by category, by geography, and by account. This will allow you to hone your attack strategy, adjusting prices to inflict the most pain.

You also need to be alert to the legal limits on pricing strategies. There's a fine but real line between aggressive and predatory pricing. Above all, recognize that an attack on your competitor's profit sanctuary is liable to provoke a strong response. Be hypervigilant, therefore, for the early warning signs of failure

The nicest part of playing hardball is watching your competitors squirm.

or success. Your competitor may attack your profit sanctuaries in response. He may have greater financial resources than you thought or a "sugar daddy" to protect him. When you decide to gut the bear, don't be reckless.

Plagiarize with pride. Softball competitors like to think that their bright ideas are sacred. But hardball players know better. They're willing to steal any good idea they see—as long as it isn't nailed down by a robust patent—and use it for themselves. Ray Kroc didn't invent McDonald's; he took the idea from brothers Dick and Maurice McDonald when he bought their small chain of burger joints. Home Depot founders Arthur Blank and Bernie Marcus didn't invent the first warehouse-outlet hardware chain; they got the "big box" concept from their earlier employer, Handy Dan Home Improvement.

But hardball plagiarism involves much more than appropriating a good idea. You have to improve on it. As Harry Cunningham, the founder of Kmart, is reported to have conceded, Sam Walton "not only copied our concepts, he strengthened them."

It's also important that you make the idea your own, grafting it onto your organization and getting your people to buy into it. Simply replicating the details isn't enough. Just ask the airlines that have tried—and failed—to copy Southwest. All of this means that plagiarizing is not as easy as it may seem.

In the late 1990s, Ford dealers were losing business at their service bays. Ford—which enjoyed particularly high margins on the replacement parts installed by dealers' service technicians—couldn't figure out why. So it sent a team to look at the competition. The team discovered that one carmaker, Honda, had built a particularly strong service business. Honda's secret had two parts: tying a new vehicle's purchase to its after-sales service and boiling down the car's hundreds of servicing needs into a simple, customer-friendly menu. Based on their preferences and mileage, Honda customers could choose a bundled package of maintenance tasks as easily as they could order a Happy Meal at McDonald's. Ford decided to do the same thing.

The problem, however, was that Ford's dealers and engineers were entrenched groups. Some powerful engineers felt that if a part needed servicing at 33,603 miles, then that was it. No lumping of servicing intervals into a menu of Happy Meal programs for them! Meanwhile, the dealers, an equally independent lot, had a single-minded focus on selling new cars and thus generally neglected their service business. In the end, Ford did copy Honda's program and improved upon it, marketing it aggressively to new-car buyers. But it wasn't the details of the program that made it successful. It was Ford's effort to win over its engineers and, most important, its massive network of 5,000 dealers.

Some people might recoil when competitors or the media call them copycats. Hardball players couldn't care less. They know that if Steve Jobs had ignored the graphical user interface he saw at Xerox PARC, Apple Computer would never have been born. If Kiichiro Toyoda hadn't learned the forerunner of just-in-time techniques from Ford, Toyota wouldn't have surpassed rival Nissan in the 1950s and later become such a formidable challenger to U.S. automakers.

And you needn't imitate just your competitors. You can take ideas from one geographic market and transplant them in another, as Ryanair has done with Southwest's model in Europe. You can also transplant between industries, as casket maker Hillenbrand has done: It applied the methods of the Toyota Production System to casket making and transformed its industry.

Deceive the competition. Do you have a great strategy but worry that you lack the time to get it in place before competitors can blunt or otherwise resist it? Hardball players will mislead rivals to buy time—or to gain any other kind of competitive advantage.

Think of the "fake" that is a fundamental—and legal—tactic in any number of sports: the head fake in basketball, the fake handoff in football, a pitcher's fake pickoff throw in baseball. The aim of all these feints is the same: getting your rival to set up or move in a way that puts him off balance and reduces his ability to meet your attack.

Similar moves occur in business, although no one says much about them. The high-technology industry has employed fakes for years—for example, to attract potential customers and distract competitors, a software company will announce "vaporware" that isn't ready for prime time. In the auto industry, prototypes are sometimes doctored up to throw off the competition.

Pushing this tactic too far—beyond the caution zone—could spell trouble, especially if it deceives investors as well as competitors. But certain types of fakes, particularly those that distort rivals' understanding of what you're up to, represent a key hardball strategy.

Wausau Papers was a poorly performing manufacturer of uncoated paper, with outdated machines and high production costs. When a new president of the company learned that Wausau had an unusually large share of business in Chicago, he began asking questions. It turned out that Wausau's share was high there because, with a factory nearby, it could service its distributor daily. This became the foundation for a new strategy: Wausau would offer next-day service to its distributors in the major midwestern cities and encourage them to order small quantities, some with custom specifications.

Wausau's customers responded enthusiastically to this offering of better service and greater choice. Frustration over long and unreliable lead times, poor service, and limited choice from traditional suppliers was so high that distributors eagerly switched to Wausau, even if they had to pay a premium price. Indeed, some ordered Wausau's traditional commodity products along with its new customized ones because of its speedy service.

Wausau had to move fast to lock up its customers before competitors caught on and copied the strategy. To buy time, the company decided to try a little sleight of hand. Wausau was helped by the traditional mind-set of the industry. Its competitors, used to keeping their prices down by producing standard products in large quantities on very fast machines, were initially confused by customers' willingness to pay a premium for significantly better service and choice.

Wausau needed to prolong this confusion so that rivals would take no action—or the wrong action—while the company executed its new strategy. So Wausau executives told the trade press that the company had been able to speed deliveries by holding large inventories of finished goods and by working longer hours—both of which were true. But the company didn't signal that it had also undertaken a major shift in strategy and operations. As Wausau hoped, competitors for the most part chose to ignore Wausau's moves.

In addition to this active deception, the company employed passive deception, allowing competitors to think that they were continuing to win against their historically weak rival. Although Wausau rapidly captured the business of service-sensitive distributors that needed high-margin specialty products, many of those distributors continued buying competitively priced commodity products from less service-oriented suppliers. The suppliers saw this new segmentation as entirely acceptable; why would they want to undermine their own performance by introducing costly small production runs?

Furthermore, to meet the demand of customers who wanted to continue buying its commodity products, Wausau began buying commodity papers in rolls from its competitors, cutting and repackaging them as part of its overall offering—which delighted the competitors. Wausau thus reduced its production of commodity papers and boosted its rivals' reliance on those low-margin products.

Unleash massive and overwhelming force. Although hardball players prefer the indirect attack, sometimes they beat their competitors with the polar opposite.

Massive and overwhelming force must be the equivalent of a hammer blow: focused, direct, and swift. Consequently, a company must be darn sure it is ready to employ it. Substantial competitive advantage may exist on paper, but is that advantage readily and quickly available? The sum of the company's divisions may be greater than the sum of a competitor's, but can those divisions act as one in battle?

Thus, a company choosing massive force must be ready to completely overhaul its business. Because the company may not face the immediate competitive pressure that typically forces this kind of massive revamping, the process can have the feel of a turnaround of a successful company. This paradoxical situation makes the strategy uncomfortable for entrenched leaders who don't have the vision and courage to engage in hardball competition.

In the early 1990s, Anheuser-Busch attacked Frito-Lay's leadership in salty snacks—potato, corn, and tortilla chips. The big brewer had noticed that Frito-Lay, a division of PepsiCo, had been distracted by its expansion into cookies and crackers. So, in a classic indirect attack, Anheuser-Busch began to slip its new Eagle brand salty snacks onto the shelves of its traditional beer outlets—supermarkets and liquor

stores—where Frito-Lay was comparatively weak.

Unfortunately for Anheuser-Busch, Roger Enrico, toughened by a stint battling Coke as the head of Pepsi-Cola North America, had just taken the helm at Frito-Lay. He realized that Frito-Lay's strong brands and huge size gave it a clear economic advantage over Anheuser-Busch in the salty-snack business. But to get the full benefit of this competitive advantage, Enrico had to get Frito-Lay into fighting shape by massively redirecting investments within the company.

He cut the number of offerings in Frito-Lay's product line by half—no more cookies, no more crackers—and concentrated the company's energy, not to mention its 10,000 route drivers, on America's salty-snack aisles. He took Frito-Lay's considerable ad budget, which had been balkanized into regional fiefdoms, and rolled it back up into a single blockbuster sum.

He heavily invested in product quality, which had slipped below Eagle's. In a turning-point meeting, he directed his operations people to bury in the ground $30 million worth of inferior potatoes rather than put them into Frito-Lay products. He ordered the first layoffs in Frito-Lay's history—but hired additional salespeople. And because he had cut costs, he was able to cut prices.

Armed with this superior offering—better chips, better service, and lower prices—Enrico began to put pressure on one of Eagle's profit sanctuaries: potato chips in supermarkets. Frito-Lay sent its salespeople streaming in; some even stayed at the largest supermarkets full time, continually restocking the Frito-Lay products.

When the dust had settled in 1996, Anheuser-Busch had shuttered its Eagle snack business. In the end, Frito-Lay even bought four of Eagle's plants—at very attractive prices.

To use this kind of strategy, a company often unleashes forces that are latent in its organization, as Enrico did at Frito-Lay. But those forces must represent a real, if unrealized, competitive advantage. For example, you must have a clear cost advantage before attacking; otherwise, competitors can counter with price cuts that blunt the attack.

Of course, seldom do you want to eliminate your competitors. Weak competitors are better than those that may emerge from bankruptcy fit and ready to fight. Also, you must be prepared for public scrutiny; Frito-Lay's sales practices in supermarkets were investigated and cleared by the FTC. After all, your competitors may scream loudly on the way down.

Raise competitors' costs. If you have a superior understanding of your costs, you can use pricing to maneuver your competitors into believing that they are making profitable moves, when in fact their costs are increasing. Implausible as it sounds, successfully driving up a competitor's costs without his knowing is one of the marks of a true hardball competitor.

Some years back, automotive components maker Federal-Mogul began to see its profits slide. Then-CEO Dennis Gormley decided to look closely at the company's cost and pricing structures. Until that point, top management had assumed that Federal-Mogul's low-volume sales of engine bearings to Caterpillar, Cummins, and John Deere were much more profitable, because of their high gross margins, than the company's high-volume sales of bearings to Ford, GM, and other carmakers.

Gormley was in for a shock. Contrary to the reports of the company's standard costing system, low-volume parts generated far more indirect costs per unit than did high-volume parts—that is, the costs of low-volume parts had been understated and their profits overstated. This meant that Federal-Mogul's strategy of increasing profitability through the sales of more low-volume parts was having an effect exactly the opposite of what was intended. In fact, for some low-volume parts, Federal-Mogul was "shipping cash."

The company could have addressed the problem by simply ceding the low-volume business to a competitor, JP Industries, which was weaker than Federal-Mogul in high-volume bearings and stronger in the low-volume end—and also apparently unaware of how little profit was to be made in low-volume sales. But doing so would have handed the rival company a profit sanctuary from which to launch attacks on Federal-Mogul's now more attractive position in the high-volume business.

So Gormley hatched a plan to cede the low-volume segment in such a way as to keep JPI unwittingly enmeshed in that business. The strategy: overprice Federal-Mogul's bids for the low-volume business, setting them just high enough that Federal-Mogul lost most competitions but low enough to keep JPI's profit mar-

gins slim. JPI repeatedly won these bidding contests, to its detriment. Its victories both distracted JPI from any thoughts it might have had about attacking Federal-Mogul's high-volume business and reduced its financial ability to launch an attack if it had been inclined to do so.

Of course, Federal-Mogul didn't want JPI to drive itself into a destructive cycle of higher costs and lower margins. That might have led it in desperation to try boosting its high-volume sales to generate cash. So every now and then, to keep JPI from running itself into the ground or catching on to the deception, Federal-Mogul would take a win in the low-volume business and give JPI a win in the high-volume business.

Raising your competitors' costs works well in certain situations, primarily when the complexities of a business introduce costs that can be misallocated. For example, large volume differences between a company's highest- and lowest-selling products or services—as was the case for Federal-Mogul and JPI—can result in such misallocations.

This is a risky, bet-the-company strategy. There is lots of room for error. Your analysis of the actual versus apparent costs associated with a product, service, or customer—and the strategy that grows out of that analysis—had better be right.

A Hardball State of Mind

These five strategies don't constitute a comprehensive hardball strategy playbook; there are others. Indeed, any strategy that provides you with an extreme but legal competitive advantage is a hardball move. But it's important to emphasize that hardball isn't only about the moves you make. It's also about the attitude you bring to them. A hardball playbook won't do you any good if you feel squeamish about using it.

Look first at how tough you are on yourself. Do you demand to hear the truth from customers, suppliers, business partners, shareholders, and employees? Do you look without flinching at the problems most likely to bring your company down? Are you constantly dissatisfied with the status quo, no matter how fine things may seem?

If you play hardball at home, then you're ready to go after competitors. Again, we're not talking about cruelty here: Hardball is tough, not sadistic. Yes, you want rivals to squirm, but not so visibly that you are viewed as a bully. In fact, you want the people in your world—the same ones you demand straight answers from—to cheer you on. And many of them will, as they share the riches your strategies generate.

A few of them may even come to share your intense passion for winning in ways that can seem unfair to competitors. That kind of mindset isn't something most people have these days, when apologizing for victory is about as common as celebrating it. So, how do you feel? Do you have what it takes to play hardball?

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