

# Simplify Your Strategy



Summary of : [Simple Rules for a Complex World](#)

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# Simplify Your Strategy

- **Simple rules** match or beat more complicated analyses



- Firms must balance efficiency and flexibility
  - Checklists – Perform a process repeatedly and efficiently
  - Simple rules – Adapt quickly to changing circumstances
- Strategies often falter in execution because of **insufficient coordination** across the organization

# América Latina Logística (ALL)

- Spin off of Brazilian Railway, a struggling bureaucracy
- Only \$15 million available for capital spending
- Managers requested 10 times the funding
- Desperately needed upgrades to infrastructure and trains

## ALL's Simple Rules For Capital Spending

1. Remove obstacles to growing revenues
2. Minimize up-front expenditure
3. Provide benefits immediately
4. Reuse existing resources



# ALL's Proposals and Results

- **Cross-Functional Team Proposals**
  - Repair decommissioned engines
  - Replace broken main line tracks from abandoned stations
  - Increase fuel tank size to add range
- **Results Within Three Years**
  - 50% Increased Revenues
  - 3X EBITDA
  - Latin America's largest independent logistics company
  - Latin America's most extensive rail network



# Five Rules for Developing Simple Rules

1. Identify a **bottleneck** that is specific and strategic
  - Where are opportunities > resources?
  - Relatively narrow, well-defined process, not aspirational
  - Focus on one or two critical areas with greatest impact
2. Let **data** trump opinion
  - Analysis of facts more valuable than biased beliefs
3. **Users** make the rules
  - People who will apply the rules are best able to craft them
  - Cross-functional teams can sort through tough decisions
4. Rules should be **concrete**
  - Should be easy to understand, often simple as Yes/No
5. Rules should **evolve**
  - Simple rules change with company and market conditions

# Keep It Simple

- Cap the total number of rules
  - Forces teams to prioritize and drop less important rules



This is Where Strategies  
Go to Die



**Simple Rules** Represent the  
Beating Heart of Strategy

# Simplify Your Strategy

- 1. Clarify the key drivers behind value creation**
- 2. Identify critical challenges**
- 3. Determine your must-win battles**