



# Stanford eCorner

## Crafting Simple Rules

Kathleen Eisenhardt, *Stanford Technology Ventures Program*

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Video URL: <http://ecorner.stanford.edu/videos/3521/Crafting-Simple-Rules>

Stanford Management Science and Engineering Professor Kathleen Eisenhardt discusses how a multinational company developed a set of rules that greatly simplified how to evaluate and choose new businesses with which it should partner. Eisenhardt draws the example from her book "Simple Rules: How to Thrive in a Complex World," which she co-wrote with MIT Senior Lecturer Donald Sull.



### Transcript

You probably are not thinking too about concrete these days but did you know that concrete is the third largest source of man-made CO2 in the world so it's actually a huge environmental issue about concrete. It also is a very high per capita consumption of concrete so per capita we all use a lot of concrete, it's right up there with water, believe it or not and so what the guys were pretty interested, was come up with a process that made for concrete that lowered the emissions in the production of cement, also was you need to use less cement so that saved -- and then also it was less likely to crack so less often you had to replace it. So it is kind of an eco win-win-win going on. But what do we do? These are mostly technical guys. So you go to Las Vegas and people enjoy their product and they get all these partners who want to partner with them, you know hey, we'll do your concrete. How do they pick? We have all these partners. So that becomes their bottleneck who we are going to partner with. And they start thinking, they look over some of their evidence on who they have worked well with, think about it, look at other people, talk and come up with a couple of Simple Rules about who do we partner with. First rule, was about let's partner with people that have a laser screen machine. They're almost on top of mine to me.

But it turns out it is to them because that's a signal that, that partner cares about quality and cares about innovation. If they had that machine, they are into it like we're into it. The second rule was around no duplicate partner. So they've already guessed their own territory. Another rule was around if you haven't started using our product within three months, you're done as our partner and then the final rule was around we had a partner roughly every three months, we can't do it faster than that because we can't really absorb the organization. Within that context, they then basically started selling their concrete around the world.