



# Stanford eCorner

## Simple Rules Coordinate People

Kathleen Eisenhardt, *Stanford Technology Ventures Program*

April 29, 2015

Video URL: <http://ecorner.stanford.edu/videos/3524/Simple-Rules-Coordinate-People>

Stanford Professor Kathleen Eisenhardt discusses the power of simple rules to coordinate the actions of a widely dispersed community and have participants conform to shared norms. Co-author of "Simple Rules: How to Thrive in a Complex World," Eisenhardt shares examples from the book of how such rules allowed organizations like Zipcar and Wikipedia to scale and succeed.



### Transcript

Shared economy is all about coordination of large numbers of people doing something. Zipcar, great example of how do you coordinate how many customers Zipcar has? Hundreds, hundreds of thousands, some crazy number of people. How do they start out at least before they were bought by Avis. A couple of simple rules around coordinating behavior and why isn't worked by the way for coordinating behavior because when you keep just a small, a handful of rules or handful of precepts, people are going to remember it, people can communicate it and you can enforce it. Zipcar, what are the things you had to do? Return the car on time, report damage, fill the gas tank, keep pets in carriers, don't smoke. Pretty simple set of things that coordinated hundreds of thousands of people doing things. True of Wikipedia -- at least when Wikipedia started. Wikipedia started with a couple of rules. Neutral, so that was facts, not opinions. You always have to have a source and in their third rule which I actually love is and don't follow any other rules.

They of course have changed that if you have been to Wikipedia lately but if you think about what Wikipedia accomplished in terms of crowd sourcing encyclopedia and the knowledge of the world, it's an incredible, it's an incredible achievement and most of that growth was when they had Simple Rules. How about superior coordination from Janet Yellen? Janet Yellen, Federal Reserve Chair. Janet Yellen has a hard job. The U.S. Economy is not a simple economy, it isn't. There is a lot going on in the U.S. Economy and part of her job is communicating what the feds going to do so the business people and investors have a sense of where the economy is going and have the confidence to invest. What does she do? She has a rule called mind the gap and the gap refers to the difference between the ideal unemployment rate and the actual employment rate and it refers to the ideal inflation rate and what's the intolerable inflation rate. And she is monitoring those two, essentially those two gaps, and setting interest rates and she is in Board of Governors obviously. But what that's doing is not only does it appear to be pretty good monetary policy, it also is giving people an understanding, people in the investment community and the business community a sense of what's going on with interest rates so that they can plan however they want to plan.

So it's not just they are good rules, it's that she is able to communicate a very difficult set of choices in fact in a very simple way.