

Welcome to the June 2001 issue of **Management Shorts**  
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### **1. WELCOME NOTES: Harvard Business Review (HBR) as a great resource**

Welcome to the second issue of Management Shorts. Thanks for the warm response and feedback to the first issue. Its gratifying to know that so far I'm achieving my goal of providing you with practical and useful tools in a short, easily digested format!

I'm a big fan of HBR. Every issue has at least one great article that expands my thinking and gives me a new (and practical!) approach for a current project. Most of my clients find it hard to set aside the time it takes to wade through each issue, so I often provide summaries for them of articles that apply to their particular situation. A few "gems" seem to apply to everyone.

From time to time, the monthly Management Short will be a summary of one of those HBR gems along with a link to the full article. Most HBR articles can be downloaded from their website in .pdf format for a small fee. That site is <http://www.hbsp.harvard.edu/>

Don't miss out on future HBR summaries! Subscribe to Management Shorts by sending a blank e-mail to:  
[shorts-subscribe@topica.com](mailto:shorts-subscribe@topica.com)

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### **2. MANAGEMENT SHORT: Strategy As Simple Rules**

This month's Management Short is a summary of "Strategy as Simple Rules" by Kathleen M. Eisenhardt and Donald N. Sull

## **CENTRAL PREMISE**

The authors' central premise is that the traditional approach of staking out a "defensible position" misses the key to success in rapidly moving markets. That key is the ability to recognize and capitalize on fleeting opportunities.

The article profiles a number of companies that use simple rules to sort through opportunities without being overwhelmed or wasting cycles on the wrong opportunities

## **EXAMPLES**

### **How-To Rules**

Enron focuses on the risk management process in its commodities trading business with two rules: (a) Each trade must be offset by another trade that allows the company to hedge its risk; and (b) every trader must complete a daily profit-and-loss statement.

### **Boundary Rules**

Cisco focuses on the acquisition process with three rules: (a) The target must have no more than 75 employees; (b) 75% of those employees must be engineers; and (c) the target must be within 50 miles of headquarters. (These rules have changed, but were used in the early years of Cisco's acquisition binge.)

### **Priority Rules**

Intel focuses on the process of allocating manufacturing capacity with one rule based on a product's gross margin.

### **Timing Rules**

Nortel focuses on the product development process with two rules: (a) The team must know when the product has to be delivered to the key customer in order to win their business; and (b) the product development cycle can be no longer than 18 months.

### **Exit Rules**

One high tech company focuses on new business creation by pulling the plug on new initiatives that fail to meet certain sales and profit goals within two years.

## **STRATEGIC PROCESSES**

Each of these companies has zeroed in on one or two processes that are critical success factors. They then set up a few "simple rules" to guide activity in these processes in a way that balances risk with the need to move quickly.

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### **3. GETTING STARTED: Deciding if Simple Rules will Work for You**

Most senior managers in high tech are faced with a dizzying number of opportunities -- partnerships, acquisitions, licensing deals, new products, new markets, new ideas -- all with the potential to make or break the company (while eating up precious time and money). Simple Rules may be the right approach for your company to use in managing this creative chaos.

Share this newsletter (or the full HBR article) with your management team and have a discussion around the following questions:

1. Are we in a market where the key to success is rapidly adapting to developing opportunities?
2. What one or two processes are central to our success?
3. Are we efficient in managing those processes and evaluating opportunities?
4. Do we have any implicit rules that we already use? What are they?
5. Do these rules make sense? Do they work?
6. Do we need new or more explicit rules? Do we need FEWER rules.

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### **4. FOR THOSE WHO WANT MORE: Source Article from Harvard Business Review**

The source article is full of thought provoking examples as well as being an easy read. I highly recommend it. You can download the complete article at: [http://www.hbsp.harvard.edu/hbsp/prod\\_detail.asp?R0101G](http://www.hbsp.harvard.edu/hbsp/prod_detail.asp?R0101G)

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### **5. FOR THOSE WITH A PHILOSOPHICAL BENT: A Word on Theories & Models**

I frequently make use of theories and models, but I'm not a purist about them. Rarely is a theory or model THE answer, but often it is "pretty good" and that is good enough. For me, "pretty good" means that:

- (a) The theory or model helps me get my arms around a big pile of data and ideas; OR
- (b) It helps me see the unconscious mental models I've been walking around with; OR
- (c) It gets me out of a rut and stimulates some new thinking.

**My simple rule: If it is useful to YOU, great; if it isn't useful, dump it and try another one.**

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If you find this newsletter useful, I hope you'll forward it to friends and colleagues!

As always I welcome your feedback on this newsletter as well as requests for future topics.

Warm regards,  
Andrea

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About Management Shorts

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**Management Shorts** is a free newsletter for senior managers on leadership, management and teamwork – the key leverage points for improving the speed and quality of decision-making and execution.

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