

Eisenhardt KM, Sull DN. Strategy as simple rules. Harvard Business Review 2001; 79 (1): 107-16.

Eisenhardt and Sull argue that opportunities for competitive advantage exist in a chaotic market. They suggest that within the many opportunities on offer, it is important to have a simple set of rules that identify the few opportunities to pursue.

The model presented includes the following 'categories' of rules:

- 'How to' rules – rules that spell out the essence of what makes the organisation's processes unique, desirable and/or reliable
- "Boundary" rules – rules about which opportunities can be pursued (e.g. for the film maker Miramax new film ideas need to have a focus on an appealing but deeply flawed character and focus on a central human condition like love or envy)
- 'Priority' rules – rules that help rank the accepted opportunities (e.g. resources are allocated based on the gross margin of the product)
- 'Timing' rules – rules that synchronise strategy with external opportunities (like electoral cycles) and with other internal activities (like annual budget planning)
- 'Exit' rules – rules about when to pull out of an initiative, rather than to 'flog a dead horse'.

Eisenhardt and Sull suggest that it is important to keep the number of decision-making rules small (these are rules about strategy, rather than about operational activity). The rules need to be clear so that decision-making is straightforward and transparent.

They indicate that the rules must be reviewed and possibly change to reflect a changed environment, and changed to reflect a different internal environment. Although it is important not to 'churn through' rules, the rules themselves need to be subject to critical appraisal for their ongoing utility.

Thus, there is a continuing strategic evolution based around the decision-making which is underpinned by these rules. This, according to Eisenhardt and Sull, allows organisations to operate on 'the edge of the chaos', with enough structure to capture the opportunities and with a counter-veiling degree of stability.