

Simple Rules Can Power Up Your Global Strategy

Yoel Asseraf (Ruppin Academic Center)

KEYWORDS: Strategy, Startups, decision-making, international business model, How to grow your business.

Leonardo Da Vinci once said, "Simplicity is the ultimate sophistication." But in today's world of international business, things have never been more complex. The combination of intensified competition, fragmented customer needs, advances in technology, and rapid changes presents global firms with a real challenge.

As our 2021 [research involving 350 firms](https://www.researchgate.net/publication/343481913_international_marketing_doctrine_the_use_of_guiding_principles) (https://www.researchgate.net/publication/343481913_international_marketing_doctrine_the_use_of_guiding_principles) showed, companies that seek a global presence perform better if they have easy-to-understand, unambiguous strategy statements (simple rules) that help the company's team worldwide know exactly what the priorities should be. But this is contrary to what most strategic plans offer.

The Drawbacks of Strategic Plans

Business schools and consulting firms often feel the answer to complexity is to craft strategic plans that enable firms to align to such a dynamic environment. However, as many managers and entrepreneurs know, too often strategic plans are just too complex. Further, implementing the plan worldwide is particularly challenging when local subsidiaries and headquarters differ culturally and have different mindsets and strategic languages. As a result, many strategic plans aren't used for making daily decisions, and they tend to collect dust on shelves. The strategies often fail because they are not executed properly. Things that are supposed to happen don't happen.

What, then, does it take to make sure that the right things happen? How can we ensure that managers understand strategy and make consistent decisions across markets and strategic contexts? The answer lies in creating a culture of strategic decision-making, where everyone is held accountable for understanding and executing the strategy.

Additionally, businesses need to invest in developing the skills of their employees to ensure they can make

the right strategic decisions. Lastly, strategies need to be regularly reviewed and updated to stay relevant.

The Power of Simplicity

Key to this empowered decision-making is making sure that everyone, no matter where in the world they work, have the same simple view of what's most important. As Peter Drucker argued, the strategic assumptions that shape an organization's behavior dictate its decisions about what to do and what not to do and define what the firm considers meaningful results.

In 1958, March and Simon argued that the limits of human intellectual capacities do not fit the complexities of problems managers face, and suggested that rational behavior calls for simplified models that capture the main features of a problem without capturing all its complexities. This wisdom still holds true today.



Think about the Ten Commandments. Most of us don't remember the whole Bible by heart, but we are familiar with most of the "thou shalt" and "thou shalt not" principles that comprise the Ten Commandments. Why? Because they are easy to understand and they are presented in a clear way.

But why implement a business strategy by using simple rules? Because, for a strategy to influence action it must be remembered. To be remembered, it must be understood and to be understood, it must be simple. Following this philosophy, our study investigated the use of simple rules at 350 firms, using questionnaires and in-depth interviews. We found that managers can easily

encode a few unique rules into long-term memory and use them to guide their decision making. This core set of guiding, unique simple principles represent how the firm wants to implement its global strategy and guides managers toward its desired choices.

Learning from Lego and Others

Interestingly, we found that successful, well-known multinationals are already using simple rules to turn their global strategies into useful tools for managers. For example, to revitalize LEGO in 2002-2003, the company chased after too many new products. However, the chase for novelty can produce superfluous initiatives that are not related to a firm's real customer needs. Indeed, LEGO's designers did not consider the costs enough, and LEGO's production facility operated at 70% of capacity. This situation led to a deepening crisis and threatened LEGO's independence.

LEGO's new CEO decided to implement a new simple rule to guide all the marketing and product development departments: "New products' goal is to meet or surpass 13.5 percent return on sales." According to the book "Brick by Brick" by David Robertson (2015), this simple rule was spread across the company: "In town hall meetings, emails, on the factory floors – 13.5 percent was talked about everywhere."

Examples at other companies include: "We will never produce private labels" (Unilever); "We are not working with advertising agencies" (SodaStream); and "We only enter markets where we can be the best" (Apple).

Takeaways

Simple rules act like a "global glue" that connects managers across the globe. The presence of a common language through the mechanism of simple shared rules is vital for the integration of workers in distant places. We found a strong and statistically significant positive relationship between the use of simple rules and international performance. Critical among our findings was that firms should translate their own successes and failures into compelling, actionable simple rules for their own managers. Moreover, they need to make sure that all firm members are knowledgeable of the principles and integrate them into the organizational culture. In sum, the use of simple rules creates a shared global language that drives superior international business performance.

Explore the Research

Asseraf, Y., Gnizy, I. and Shoham, A. (2021), "International marketing doctrine: the use of guiding principles", (https://www.researchgate.net/publication/343481913_International_marketing_doctrine_the_use_of_guiding_principles) *International Marketing Review*, Vol. 38 No. 2, pp. 321-342.