

Business901 Podcast Transcription

Implementing Lean Marketing Systems



Solving Complexity with Simplicity

Guest was Don Sull

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Note: This is a transcription of an interview. It has not gone through a professional editing process and may contain grammatical errors or incorrect formatting.

Transcription of Interview

Joe Dager: *Welcome everyone. This is Joe Dager, the host of the Business901 Podcast. With me today is Don Sull. He is a global expert on strategy and execution and a Senior Lecturer at the MIT Sloan School of Management. Don has published 3 award-winning books to include The Economist which identified his theory of active inertia as an idea that shaped business management over the past century and Fortune has listed him among the top ten new management gurus. Don, I'd like to thank you and can you give me maybe the elevator speech about your new book, Simple Rules: How to Thrive in a Complex World?*

Donald Sull: Great. So, the punch line of this book, Joe, is that people think they see a complex problem they need to solve it with a complex solution. That's wrong. It turns out, by applying a handful of simple rules that provide guidance but leaves scope for discretion and judgment, applying them to a critical activity or decision, people can impose some guidance and structure, avoid the bureaucracy of too many rules and the chaos of too few.

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Joe: *You talk about simple rules, are there really simple rules just laid out in your book? I mean one, two, three, is it something like that or not?*

Don: No, actually that's the exact opposite of what we do and, in fact, we think anybody who does that is wrong, deluded or both. So, you know, one of the points we make and this is based on 15 years of study, not just our research but other people's research as well-grounded in evidence and, you know, one of the big points that emerges is that there is no 'one size fits all' set of rules. There is no, you know, take it off the shelf and apply it to your business or your life set of rules. Instead, rules need to be tailored to the strategy, the organization or the objectives of the individual, a specific activity or decision and then crafted for that person. So, it's not a book that lists the set of simple rules; we list rules of course as illustrations but not to say you should copy these rules. Instead, we focus and provide a layout of the process whereby you can develop the rules that work for you.

Joe: *What I took from the book is that you actually group rules. Was that done on purpose?*

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Don: I think there's some truth to it. On purpose, I mean when we started this project 15 years ago, you know, we didn't have a strong sense of, you know, we didn't have a strong theory or strong biases to how the rules would sort out. One of the things that was interesting is we studied rules and creative domains like Elmore Leonard's rules for writing a book and Tina Fey's rules for producing 30 Rock and then social biology, how bees find a new nest and how ants coordinate their activities and, you know, monetary policy, how the Federal Reserve uses simple rules to set policy. What was interesting is we've studied the rules, simple rules across these different domains is that these 6 categories of rules emerged. What we learned are that basically 3 types of rules that are around decision-making.

The first one is boundary rules, what's in and out. Examples of this would be the rules that doctors use to diagnose the celiac disease for instance. They use a set of simple rules, you're either diagnosed with the disease or without it. The second set of rules is prioritizing rules. These would rules like the rules that Darfus uses to decide how much money to give to specific projects. The third set of decision rules is around stopping rules when you

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decide to stop doing things.

It turns out, we've had this, Mt. Everest has been in the news with this tragedy over the past couple of days. Up to today, one of the most fatal days for climbers on Mt. Everest was caused because the climbers, a group of 16 climbers ascended the summit and they ignored what was called the 2 O'clock rule which basically said if you're not at the peak by 2 o'clock you turn down no matter what because it's very dangerous to descend as the weather turns and as it gets dark. A group of climbers, about 2 o'clock, they're a couple of hundred yards away from the summit. They started arguing with the guide. The guide ignored his own rule. They climbed, hit the summit about 345 and it turns out that the delay of an hour and 45 minutes was fatal for five of the climbers. That 2 o'clock rule is an example of stop and will help to remind us when to stop doing something.

Joe: *Everybody's kind of writing about complexity or behaviors right now and we're trying to make everything simple. Could we just revert this back and say we live in a complex world in the 90s is just a buzz word or is it really all that much more complex?*

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Don: Well, I don't know the 90s to today. But so, you know, let's start with the definition of complexity. So, complexity is an attribute of a system, could be an organization, could be a person's life, could be a society where there are multiple variables that interact with each other in unpredictable ways to produce outcome. So, that's how we define a complex system or a complex problem, many moving parts interacting with one another and shifting all the time. And, it turns out when you define complexity that way, you can measure it. And so, at the social level for instance, you can measure flows of information through the internet. You can measure flows of funds or technology and when you measure those things and people would measure them quite carefully, what we see is there has been a pretty dramatic increase in complexity at the social, global social economic level over the past 20 years or so. So, there really has been an increase in complexity.

Joe: *Bloomberg called the book, the nerd book of the summer. Do you object to something like that or do you embrace that?*

Don: I remember the days when being a nerd meant you got snapped with a wet towel in the locker room. Nowadays, my co-author, Kathy, teaches at Stanford and I teach at MIT

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so, you know, we wear the nerd book of the summer as a badge of honor.

Joe: *This book has been in writing for an awful long time. You've spent, at opposite ends of the country writing a book together. How did that all happen?*

Don: Kathy was visiting at the London Business School where I was a professor at that time and we haven't been writing the book the whole time. We started this research project about 15 years ago and at that time what we did was we were looking at how technology companies, Cisco and Yahoo, eBay and so forth, how they dealt with the complexity of the dot-com boom, their competitive sets were complex, the technology was complex, markets were complex, how they dealt with that. What we discovered in that first study was that these companies, the most successful of these companies at least had a strong bias towards simplicity. Rather than trying to tackle complex problems with complex solutions, they identify the critical activity, might be new product development, might be selecting a partner, develop a set of simple rules to manage that activity to provide it some guidance but also left flexibility to respond to unexpected circumstances. So, that was the origin. We spent the better part of 15 years kind of studying this and, you know, with

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doctoral students in different studies we've done and researching what other people have done to try to really get the broader phenomenon of simple rules because what we learned was they're very wide spread and we tried to understand why they work, when they work and how you can develop them more effectively.

Joe: *Can I use the things in the book in an organization context or a team context?*

Don: Yeah, sure. I mean one of the things we've done, I've done a study with about 40 companies, members of the Young Presidents Organization, where what we did in over four years in groups of ten, the companies come in, we'd help them to clarify their study, identify again a critical process and then develop some simple rules and measure the impact. And, I'll just give you a concrete example. Frontier Dental is a dental lab that does prosthetic implants of crowns and so forth for your teeth and the problem that they face is pretty basic. So, they a sales force of 12 sales reps who had to cover 200,000 dentists in North America. They were really struggling to land a sale. They would typically have to do about 200 calls before they get a single sale because, you know, dentists make money by having people in the chair. They don't make money by talking to sales reps. They were

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really struggling to grow revenues what they did was they went back and they studied some of the dentists that were good customers versus ones that weren't such good customers and rather than coming up with some big thick document to tell the sales reps who they should focus in on, they developed a set of simple rules and the rules were like 'does the dentist own their own practice'. It turns out if the dentist own his own practice they tend to be more commercially oriented, tend to buy more of these implants. 'Are they a certain age range', so young dentists are just building their practice, dentists nearer the retirement are tending to draw things down.

There was a sweet spot in terms of age. 'Do they have their own website', you know, again that's a good proxy for whether the dentist is commercially oriented trying to grow the business. Using these simple rules, the sales force could very quickly eliminate a lot of dentists and not waste their time talking to them to focus on the most promising prospects and, you know, in that case they increase their hit rate to about making sales in two out of every three dentists they approach from it used to be one out of every two hundred and they increase their revenues almost 50% in the first year in a down market. So, yeah, they could be a pretty powerful tool in organizations.

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Joe: *Do most good speakers excel at simplicity, in keeping things simple?*

Don: No, you know, one of the things we hope to achieve with this book is get stimulated discussion about power of simplicity without people dismissing it as being simplistic. So, a lot of times people think, it's called the smart talk trap that you need to throw a lot of big words out and, you know, have a lot of equations and that'll make you sound smart. But, the reality is that the real measure of whether someone understands something is whether they can express it simply. I mean as teachers we know this right. The best teachers can explain things simply because they understand it. You know, these teachers who don't really understand the material will throw a lot of big words at you and a lot of equations. One of the things we hope to do, the Simple Rules are a practical tool for achieving your personal objectives or your business objectives but we hope more broadly to stimulate a discussion about, you know, remind people that they have an option to apply a simple solution and to legitimate simplicity, that simplicity is not naïve. It's not simplistic. That often, it shows a deep understanding of what really matters.

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Joe: *Is there a way that I can get started and gear myself towards let's say thinking that way and trying to simplify things?*

Don: Absolutely, I mean my advice would be to try it. I'll just give you a concrete example. I've used simple rules many times in my life but I'll give you a concrete example. About a year and a half ago I ordered a bunch of shirts and they were the same size as the shirts I had always worn and I get them and I'm a cheapskate so I ordered a lot of them because they were cheaper if you ordered a lot. And, I get them and they're all too tight. I'm like "Oh, this is terrible." I tried to send it back, they wouldn't accept them back. So, I had a very concrete problem which is I wanted to fit inside these shirts. To do so, I need to lose about 15 pounds. The first step is to have clarity on the objectives. On that case, it's pretty straight forward. I wanted to lose about 15 pounds. The second step is identify a bottleneck, a critical activity or decision that keeps you from hitting that objective. So, in this case, the way I did it was for about a week I got an app on my iPhone. I got an app and I tracked how much I exercised and how much I ate and when I ate it. You know, it's trivial now. Ten years ago it might have been a pain in the neck to do that. Today it's trivial. There're probably a dozen apps to help you do that. And, what I found was

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interesting because what I wanted to find was, you know, should I focus on exercise, should I focus on how often I walk, should I focus on eating, what should I do?

What I found was the following, exercise was okay. I was exercising, reasonably enough, probably didn't have time to do much more. Eating during the day was okay. The real problem was after dinner, snacking after dinner and that's when all hell broke loose. Basically discovered once I did this little collected data for a week that I was eating the equivalent of a lunch or two every day after dinner in snacks. I said "Okay, great. My bottleneck wasn't every all activities, it wasn't exercise, it wasn't even eating, it was after dinner snacking." That's a nice specific bottleneck and that allows you to develop concrete rules. Then, you go to the third step. You've clarified the objective, lose 15 pounds. You've identified the bottleneck, specific bottleneck, after dinner snacking. You develop the rules. And, here again, we come to this point, there's not, you don't take the rules off the shelf, you don't read, you know, some book that says 'this is the right diet', instead you follow a process of, you know, talk to some people, look on the internet a little bit, play around with it and the rules are your rules. You develop them and they're appropriate to your situation. In my case, my rules were, well, initially I said, "I'm never going to eat dessert again."

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Well, that's not going to work. I came and said, "I'll only eat desserts on the weekend." Another one was I read some research done by a guy named Brian Wansink who has done a lot of work on portion control and what he finds is that if you eat snacks out of a bowl rather than out of a bag, you can cut your calorie consumption by half or more. So, I said, "Okay, I'll eat snack, I'll eat the chips out of a bag, sorry, out of a bowl rather than the bag." Another rule is not to stockpile snacks. If you buy a case of Snicker bars, you'll eat all the Snicker bars. If you buy one Snicker bar, you can only eat one unless you got out to the store again. Very simple rules from multiple sources but they were right for me and, you know, in that case it worked. I lost 15 pounds, so. It took me a couple of months but I did it.

Joe: *They certainly don't shop at Costco or a place like that, do they, if they want to diet.*

Don: Well, it's true but it was funny because once I had that rule I'd tell my wife, you know, when we go to the store, I'm a cheapskate, so is she, she wants to buy in bulk because it's cheaper, I said, "Not on the snacks, not on the desserts, just get one." And, it makes a difference.

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Joe: *You bring up a good point there of the rules are yours. You kind of have to be part of making the rules to, I would say, the word I would use is, sustain them. But, how do you sustain that stuff? It's like starting a diet on, you know, January 1 and stuff. Maybe I can come up with the rules but does the book help me, teach me how to maybe sustain simplicity?*

Don: Well, look, sustaining anything is hard, okay, at full stop and there's no book, in ours or any, that's going to promise you that you can, you know, sustain what you start. But, what we do find and it's not just we, other evidence suggest this is that simpler approach, there are things you can do to increase the odds that you sustain. So, the first one is you develop the rules yourself. So then, you understand them, you know, they're tailored to your situation. You discard the rules that just don't work like 'I'll never eat dessert again'. That's crazy. It just didn't work. But only on weekends, that I can pretty much live by.

The first thing, you should develop the rules yourself. The second thing is by keeping it simple, people are more likely to stick to a simple regimen than to a more complicated

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one. There's been some research in nutrition that found, you know, just speaking on this diet example, people lose weight if they follow, if they stick to a complicated diet, they lose weight if they stick to a simple diet. The difference is they're more likely to stick to a simple diet.

The second thing is, again, it doesn't guarantee that you'll sustain or stick with something but increases the odds if you go with a simpler approach. The third thing is measuring impact, right. And again, this used to be a huge pain in the neck. These days it's trivial to, you know, there's an app for pretty much anything you'd want, you want to measure your sleep, there's an app for doing it. You want what you're eating, at the personal level there's an app for everything. Just measuring your progress and then if you start to get off track a little bit, you go back and say, "Well, it isn't I'm not following the rules or that, you know, I need to tweak the rules a little bit more." So again, there're no guarantees. We have pretty solid evidence increase the odds that people stick with their rules.

Joe: *How do I know something is simple enough or even is there times that I should be breaking the rules?*

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Don: That one's not to be too tough to be honest. One of the big insights of the book is that the users make the rules. Rather than having a CEO dictate the rules or, you know, some expert diet person write the diet book and tell you, you have to follow these rules slavishly that the users are involved in developing the rules and then they kind of gauge like this is a little too complicated, this is simple enough. That's ones not too tough.

About breaking the rules, there're, you know, a couple of observations. One, you want to make the rules broad enough that they leave scope for responding to situations so you don't need to break them all the time. I'll just give you an example. One of the companies we studied in the book is a company called Premex and they're trying to revolutionize one of the most stable industries in the world which is cement and they've come up with an innovative cement that you can spread thinner, it cracks less and it cuts carbon dioxide emissions by half and it turns out that's a big deal because concrete is the number 2 producer on carbon dioxide in the world. That's a big deal.

They've got this innovative cement and the problem is they've got literally hundreds of

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potential partners who want to work with them and the question they have is how to select. And, initially they have a set of very rigid rules and they kept breaking the rules because they were too rigid, right. And, they said, "But, we need an exception here. We need an exception there." What they did is they simplified their rules and they came down with just a handful of rules for choosing the partners that they'd work with.

One rule was for instance, 'no partners that compete in the same market'. Okay, so they didn't have a conflict between their partners. Another one was that partners had to have what's called laser screed machine and that's a hi-tech machine that allows you to lay concrete very evenly and what was good about that rule is it was a signal that the partner was both sophisticated and committed to quality. You know, another rule they had was that the partner would have to start an engagement with Premex within 3 months of signing the deal and that was a proxy for how, you know, to make sure that the relationship was a high priority for the partner. And so, what's interesting is once they had these rules, they were flexible enough that they didn't have to break them very often. Within these boundaries, they could exercise judgment and discretion and find the partners and again, you know, it worked pretty well. In the span of about six months they doubled

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the success rate of their partnership and they quadrupled their licensing exports in the span of a year and a half. But, they didn't have to break the rules. If you set the rules right, you don't have to break them. There are cases though when the world changes a lot and you do end up having to break the rules and that's one of the things we talk about in the book, when the rules aren't working and how you go about changing them.

Joe: *Where can someone learn more about the book and connect up with you?*

Don: To learn more about the book, you can go to www.simplerulesbook.com and then to learn more about my simple rules research and other research as well, you can go to www.donsull.com.

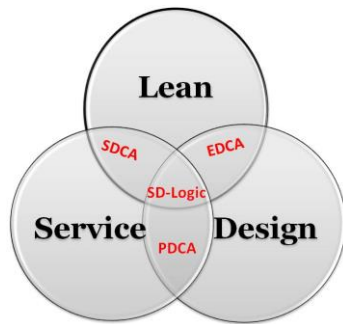
Joe: *Well, I would like to thank you very much, Don. I appreciate it. This podcast will be available in the Business901 iTunes store and Business901 website.*

Don: Perfect. Thank you.

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Joe Dager is President of Business901, a firm specializing in bringing the continuous improvement process to the sales and marketing arena. He takes his process thinking of over thirty years in marketing within a wide variety of industries and applies it through Lean Marketing and Lean Service Design.

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