



## Little Bets: How breakthrough ideas emerge from small discoveries

Author: Peter Sims

- How did Pixar go from producing CAT scan images to winning Oscars?
- How did Steve Jobs turn Apple into a world-beating company?
- How does Amazon's culture encourage innovation?
- How can you find the creative solutions demanded by our ever-changing world?

The answer, according to renowned business thought-leader Peter Sims, is LITTLE BETS. In these fast-moving times, it's next to impossible to predict what's around the corner, and harder still to formulate a foolproof plan to deal with it. Truly innovative companies, Sims argues, don't get caught up in projections and predictions. Instead, they embrace uncertainty, take a chance, fail quickly and learn fast.

This method has formulated thousands of modern advances, from Google's PageRank to Starbucks coffee shops - if you harness its power, what could you achieve?

Alan Kay, the respected technologist, once said "The best way to predict the future is to invent it."

But how do we invent the future, especially if it's not a logical extension of the past? It's not something you would know from how you have been trained. Our education system places great emphasis on teaching us about facts that are already known, such as historical information or scientific tables, and then testing us in order to measure how much we've retained that knowledge. Those skills work perfectly well for many situations, but not when doing something new. Or creative. Or original. They certainly won't help us invent the future. We are given very little opportunity, for example, to perform our own, original experiments, and there is also little or no margin for failure or mistakes. We are graded primarily on getting the answers right.

There is much less emphasis on developing our creative thinking abilities; our abilities to let our minds run imaginatively and to discover things on our own—like we did when we were kids. Our creativity, therefore, routinely gets suffocated.. As education and creativity researcher and author Sir Ken Robinson puts it, "We are educating people out of their creativity." But it's still there. And unleashing our creativity, however deeply it's hidden, begins with little bets.

### Don't Believe the Myths

I used to work as a venture capital investor, where I learned that most successful entrepreneurs don't begin with brilliant ideas—they discover them. They think of learning the way most people think of failure. Google didn't begin with a brilliant vision, but as a project to improve library searches, followed by a series of small discoveries that unlocked a revolutionary business model. Larry Page and Sergei Brin did not begin with an ingenious idea. But they certainly discovered one.

Meanwhile, Pixar started as a hardware company that never found a market, and got into digitally animated movies by making a number of little bets on short films. And, Twitter began as a little bet within Odeo, a podcasting company that was going nowhere.



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The truth is, most **entrepreneurs launch their companies without an ingenious idea and proceed to discover one**, or if they do start with what they think is an ingenious idea, they quickly discover that it's flawed and then rapidly adapt.

### Genius Is Overrated

Genius is rare. The type of creativity that is most interesting and that is far more common is experimental. These creators use experimental, iterative (repetitive), trial-and-error approaches to gradually build up to breakthroughs. Experimental innovators must be persistent and willing to accept failure and setbacks as they work iteratively toward their goals.

Take Chris Rock, the world famous comedian. While there is no doubt that he has great talent, his genius also comes from his approach. The routines he rolls out on HBO and global tours are the result of what he has learned from thousands of little bets, nearly all of which have failed. He may think he has come up with the best joke ever, but if it keeps missing with audiences, that becomes his reality. Other times, a joke he thought would be a flop might have brought the house down laughing.

This is true for every stand-up comedian, including the top performers we tend to perceive as creative geniuses, like Rock or Jerry Seinfeld. Most people are surprised that someone who has reached Chris Rock's level of success still puts himself out there in this way, willing to fail night after night. However, Rock deeply understands that **ingenious ideas almost never spring into people's minds fully formed; they emerge through a rigorous experimental discovery process.**

One such example is a feature Amazon launched that would compare a customer's entire purchase history with its millions of other customers in order to find the one person with the closest matching history. In one click, Amazon would show you what items that customer purchased. "No one used it," Bezos said, "Our history is full of things like that, where we came up with an innovation that we thought was really cool, and the customers didn't care." Other times, they will be pleasantly surprised. When Amazon launched its associates program, a marketing scheme that allows other websites to earn affiliate fees by sending buyers to Amazon, it quickly exceeded expectations. "Very quickly we doubled down on it as a favored marketing program," Bezos recalls, "And it continues to be very successful 11 years later."

Neither Bezos nor Rock could have predicted the future—they invented it.

### Begin With "Little Bets"

For most of us, successfully adopting an experimental approach requires a significant change in mindset. After all, we've been taught to avoid mistakes and failure at all costs.

But Rock, Schultz, and Bezos don't analyze new ideas by the minute, try to hit narrow targets on unknown horizons, or put their hopes into one big bet. Instead of trying to develop elaborate plans to predict the



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successes, they do things to discover the little bets that they should make. They have all attained extraordinary success by learning how to make little bets well.

Little bets are concrete actions taken to discover, test, and develop ideas that are achievable and affordable. They begin as creative possibilities that get iterated and refined over time, and they are particularly valuable when trying to navigate amid uncertainty, create something new, or solve open-ended problems.

Of course, we all want to make big bets. That's a Silicon Valley mantra. Be bold. Go big. But people routinely bet big on ideas that aren't solving the right problems.

Little bets are for learning about problems and opportunities while big bets are for capitalizing upon them once they've been identified.

The important thing to remember is that while prodigies are exceptionally rare, anyone can use little bets to unlock creative ideas.

### Flip the Switch: From Expected Gains To Affordable Losses

If doing something new can't have a correct answer, why do we waste so much time, effort, and resources trying to plan what cannot be planned?

We like to feel in control, that's why. But it's only an illusion of rationality.

We are all vulnerable to this illusion. After all, that's how we're taught to think in business school: to predict what we expect to gain in a spreadsheet or plan. It happens when ideas or assumptions seem logical in a plan, spreadsheet, PowerPoint, or memo, yet they haven't been validated in the real world.

Unlike most CEOs, when trying something new, Jeff Bezos and his senior team don't try to develop elaborate financial projections or return on investment calculations. "You can't put into a spreadsheet how people are going to behave around a new product," Bezos will say.

Fortunately, there is a way out. Plant seeds. Make little bets. They're cheap and low-risk. Who knows which ones will grow into big trees?

One of the leading researchers on how expert entrepreneurs make decisions, Darden Professor Saras Sarasvathy has found that expert entrepreneurs tend to determine in advance what they are willing to lose, rather than calculating expected gains.

Steve Jobs never expected Pixar to be a film company when he bought it from George Lucas in 1986. Pixar's hardware never found a market, yet Jobs also shrewdly allowed a small animation division to make little bets on short animation. They were affordable losses that eventually turned into an enormous gain. Not even a visionary like Steve Jobs could have predicted it; digital animation was entirely new.



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You won't learn this in business school, but you should. May be that helps explain why entrepreneurs often don't pursue an MBA.

### Redefine “Failure”: The Growth Mindset

By expecting to get things right at the very beginning, we block ourselves psychologically and choke off a host of learning opportunities.. Becoming more comfortable with failure, and coming to view false starts and mistakes as opportunities, opens us up creatively.

Those favoring a “fixed mindset” believe that abilities and intelligence are set in stone. That we have an innate set of talents, which creates an urgency to repeatedly prove those abilities. For Dweck, John McEnroe exemplifies someone with a fixed mindset. If he started losing a tennis match, he would blame everyone in sight for the problem, from line judges to people in the stands.

Conversely, those favoring a “growth mindset” believe that intelligence and abilities can be grown through effort, and tend to view failures or setbacks as opportunities for growth. They have a desire to constantly challenge and stretch themselves.

Michael Jordan is one of Dweck's often used examples of someone with a growth mindset. He did not start out as a player who would obviously become one of the greatest ever in his game. Rather he exerted enormous effort to reach that level, and even after having attained it, he continued to work extremely hard.

The good news is that Dweck's research has shown that not only does everyone actually have a mixture of both fixed and growth mindsets, but the growth mindset can be developed. Doing so requires a willingness to challenge underlying beliefs about abilities and learning. That begins when someone develops an awareness for which mindset they wish to lean towards. Simply knowing more about the growth mindset allows them to react to situations in new ways. So, if a person tends toward a fixed mindset, they can catch themselves and reframe situations as opportunities to learn rather than viewing them as sandtraps.

### Fail Quickly To Learn Fast

One of the methods that can be most helpful in embracing the learning potential of failure, is prototyping. What the creation of low cost, rough prototypes makes possible is failing quickly in order to learn fast.

Frank Gehry, world's finest architect, will begin a new building design by literally cutting up, crumpling, and folding pieces of paper or corrugated cardboard with colleagues. The initial prototype that emerges over an hour or so would barely look like a building. However, that's merely a starting point. They have begun and can work quickly and inexpensively to explore dozens of initial possibilities. Staring at it, Gehry smiles and says, “That is so stupid looking, it's great.”



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On a typical project, Gehry Partners will try thousands of ideas that usually culminate in 30 and 50 major models made from cardboard, plastic or metal. They build inexpensive prototypes in order to think. Between the rough starting point and the final version, most ideas don't make the cut.. They build off what works and feels best to the people involved and over time the models and building forms become further defined.

One of the biggest problems with planning, perfectionism, and needing correct answers is that a lot of time can pass before actually doing anything.

When we show potential users of our ideas our prototypes, they are more comfortable sharing their honest reactions when it's in the rough rough, just as we are less emotionally invested in our own ideas when we haven't perfected them.

Pixar director Andrew Stanton, Director of Finding Nemo and WALL-E, describes this way of operating, "My strategy has always been: be wrong as fast as we can. Which basically means, we're gonna screw up, let's just admit that. Let's not be afraid of that. But let's do it as fast as we can so we can get to the answer. You can't get to adulthood before you go through puberty (teen). I won't get it right the first time, but I will get it wrong really soon, really quickly."

### The Genius of Play: "Plussing"

Another method proven to unlock creative little bets comes from improvisation principles. Recent neuroscience research has found that improvising unlocks a far more creative state of mind than would otherwise have been possible.

The self-censoring capacity of a child's brain is not well developed which helps explain why they will say outlandish (weird) things, and also why kids are often extremely creative.

So, for example, throughout the Pixar creative process, they rely heavily on what they call plussing, which draws upon core principles from improvisation: accepting every offer and making your partner look good. The point of plussing is to build upon and improve ideas without using judgmental language.

Imagine that you were an animator working on the movie Toy Story 3. The script might call for a scene to last a few seconds (also called a "shot") with the main character, Woody, talking with Buzz Lightyear.

Animators will then take a first pass at their shot. It will be very rough, a prototype. At this point, the animator will share her rough sketches and ideas with the film's supervising animator or the director. Pixar's directors are the final decision-makers, but not even they will have the final vision for the shot clearly in mind. This is where plussing comes in.

Instead of criticizing the sketch or saying "no," the director will build on the starting point by saying something like, "I like Woody's eyes, and what if we..." Again, notice the use of the word "and" rather than a word that implies a judgment such as "but." So, the director will take the rough material and say



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something like, "I like Woody's eyes, and what if his eyes rolled left?" He'll know what he likes when he sees it, at least directionally, and that's the point of plussing.

### Small Wins Add Up To Big Gains

The emergence of Starbucks evolved by carefully adapting to customer feedback through a series of small wins. So, for example, Schultz was initially determined to avoid using non-fat milk since he didn't think it tasted as good as regular milk and because it was at odds with the Italian coffee experience. Yet, when customers kept requesting non-fat drinks, Schultz relented.. The success of those drinks became an important small win and soon much more: nonfat milk grew to account for almost half of Starbucks' lattes and cappuccinos.

Given the dynamic quality of any discovery process, small wins provide a technique to validate and adapt ideas, to provide clarity amid uncertainty. In some cases, success comes through an accumulation of a series of small wins, such as Chris Rock's development of a new show. In other instances, small wins highlight places to change and pivot, like Pixar's small wins with short films did.

The key is to appreciate that we can't plot out a series of small wins in advance. We must use experiments in order for them to emerge.

It's not a linear process of going from step A to step B to step C. Leave that to the situations that are known and can be planned.

As research demonstrates, chance favors the open mind, receptivity to what cannot be predicted or imagined based on existing knowledge. With barriers lowered, the creative mind thrives on continuous experimentation and discovery. After all, life is a creative process. It all begins with one little bet. What will yours be?

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