Little Bets:
Think Differently

Peter Sims

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 from the past?

It's not something you would know from how we're 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 about that body of 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 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 did as kids. Our creativity, therefore, routinely gets suffocated. Stifled. Strangled.

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.

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.

When Howard Schultz launched what would become Starbucks, he modeled the stores after Italian coffee houses, a new concept for the United States. Schultz was definitely onto something, but the baristas wore bow ties (which they found very uncomfortable) while customers complained about the menus being written primarily in Italian and the non-stop opera music. What's more, the stores had no chairs.

"We made a lot of mistakes," Schultz regularly acknowledges.

Schultz & Co. had to fail a lot to discover the Starbucks that emerged.

Genius Is Overrated

University of Chicago Professor David Galenson has spent years studying groundbreaking creators across the arts, science, and business, delving deeply into their personal histories and methods. He has identified two basic types of innovators.

One type, such as Mozart, tend to pursue bold new ideas and often achieve their greatest breakthroughs early in life. Mozart was a genius, reportedly able to write down new music compositions instantaneously. Yet, as we all know, prodigies are exceptionally rare.

Unleashing our creativity, however deeply it's hidden, begins with little bets.

The type of creativity that is more interesting to Galenson—and that is far more common—is experimental. These creators use experimental, iterative, 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. While there is no doubt 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 fail.

In gearing up for his latest global tour, he made between forty and fifty appearances at a small comedy club, called Stress Factory, in New Brunswick, New Jersey, not far from where he lives. In front of audiences of, say, fifty people, he will show up unannounced, carrying a yellow legal note pad with ideas scribbled on it. "It's like boxing training camp," Rock will say.

In sets that run around forty-five minutes, most of the jokes fall flat. His early performances can be painful to watch. Jokes will ramble, he'll lose his train of thought and need to refer to his notes, and some audience members sit with their arms folded, noticeably unimpressed. The audience will laugh about his flops—laughing at him, not with him. Often Rock will pause and say, "This needs to be fleshed out more if it's gonna make it," before scribbling some notes.

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 dud will bring the house down.

This is true for every stand-up comedian, including the top performers we tend to perceive as creative geniuses, like Rock or Jerry Seinfeld. It's also true for comedy writers. The writers for the humor publication *The Onion*, known for its hilarious headlines, propose roughly six hundred possibilities for eighteen headlines each week, a 3 percent success rate.

By the time Rock reaches a big show—say an HBO special or an appearance on David Letterman—his jokes, opening, transitions, and closing have all been tested and retested rigorously.

Now, you might not put the two together, but like Chris Rock, Amazon's Jeff Bezos use a strikingly similar approach to develop new ideas and opportunities. Bezos often compares Amazon's strategy of developing ideas to "planting seeds" or "going down blind alleys." They learn and uncover opportunities as they go. Many efforts turn out to be dead ends, Bezos has said, "But every once in a while, you go down an alley and it opens up into this huge, broad avenue."

Yet, like Rock, Bezos must be willing to fail often to open up big opportunities.

One such example is a feature the company 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's continuing to be very successful 11 years later."

Neither Bezos nor Rock can predict the future—they must invent it.

Developing an hour-long act takes even top comedians from six months to a year. If comedians are serious about success, they get on stage every night they can, especially when developing new material. They typically do so at least five nights per week, sometimes up to seven, and sweat over every element and word. And the cycle repeats, day in, day out.

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, but Rock deeply understands that ingenious ideas almost never spring into people's minds fully formed; they emerge through a rigorous experimental discovery process.

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 too much too soon, 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 success, *they do things to discover what they should do*. 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 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's a way to the get out from under the narrow and rigid strictures of linear planning.

Plant seeds. Make little bets. They're cheap and low-risk. Who knows which ones will lead us to 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 animated. 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.

Determining what he can afford to lose is also what Chris Rock does when going before audiences with rough material. He figures that even if some people do leave his experimental appearances disillusioned, it's an affordable loss because he knows that those "losses" are contributing to the larger payoff of a really successful show that will be seen by millions

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

Redefine "Failure": The Growth Mindset

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

Now in his 80s, Frank Gehry is widely considered the most famous living architect, best known for the Guggenheim Museum in Bilbao, Spain and Disney Concert Hall in Los Angeles. Yet, when he begins each new project, Gehry says, "I'm always scared that I'm not going to know what to do," Gehry says. "It's a *terrifying* moment. And then when I start, I'm always amazed, 'Oh, that wasn't so bad.'"

Imagine that. After so many successful buildings completed and so many accolades, Gehry still worries, at least at the start of a project, that he'll fail.

Some cutting-edge research from Dr. Carol Dweck, a professor of social psychology at Stanford University, one of the leading experts on why some people are more willing (and able) to learn from setbacks, illuminates why some people have a more resilient approach to failure than others, as well as how to cultivate a more constructive frame of mind about the inevitable failure that accompanies learning.

Her research has demonstrated that people tend to lean toward one of two general ways of thinking about learning and failure, although everyone exhibits both to some extent.

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 oft-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.

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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 being willing to challenge underlying beliefs about abilities and learning.

That begins when someone develops an awareness for which mindset they lean toward. 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 a potential for failure.

Next Dweck says that we can think about things in their lives that they thought they wouldn't be good at, but eventually were. If we don't have growth-mindset evidence from our own lives, we can often find it in other people close at hand, such as a relative or friend. If need be, we can look to role models who exhibit strong growth mindsets such as Michael Jordan or Chris Rock.

One of the most important lessons about the growth mindset and the productive attitude towards failure that it entails is that it is not about not caring about failure. Not even Frank Gehry can inoculate himself from fears of failure. The key is that we can teach ourselves to think differently about failures and mistakes—seeing them as opportunities for learning and growth.

Fail Quickly To Learn Fast

One of the methods that can be most helpful to embrace 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 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 barely looks like a building. But it'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."

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

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

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

As 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. 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. When performers were playing improvised jazz, activity in the prefrontal cortex, the parts of the brain associated with "self-censoring" or "conscious self-monitoring," were *deactivated*.

Kids don't have the self-censoring capacity of their brain well developed which helps explain why they will say outlandish things, and also why kids are often extremely creative.

Scientists compare the state of mind while improvising to meditation or even to REM sleep cycles, when the mind more readily makes creative associations seemingly because it is less burdened by its evaluative side.

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 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

Sometimes a Chris Rock joke will provoke a torrent of laughter, but more often, a positive reaction will come in the form of a muted chorus of chuckles. That's a small win because Rock knows that he's found a theme that has the makings of a good joke, that he can then build upon.

Small wins are like footholds or building blocks amid the inevitable uncertainty of moving forward. They serve as what Saras Sarasvathy calls "landmarks," and they can either confirm the we're heading in the right direction or they can act as pivot points, telling us how to change course.

The emergence of Starbucks evolved in a similar manner 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 taste 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 would grow 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 accumu-

lation 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.

This brings us back the fundamental advantages of the little bets approach; it allows us to discover new ideas through an emergent process rather than trying to fully formulate them before we begin, and it facilitates adapting our approach as we go rather than continuing on a course that may lead to failure.

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 the research demonstrates, chance favors the open mind, receptivity to what cannot be predicted or imagined based on existing knowledge. With the 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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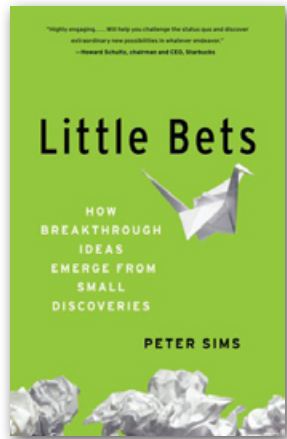
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Peter Sims is an author, speaker, and entrepreneur. He was the coauthor with Bill George of *True North*, the *Wall Street Journal* and *BusinessWeek* best-selling book. His articles have appeared in *Harvard Business Review*, *Tech Crunch*, *The Financial Times*, and as an expert blogger for *Fast Company*. He received an M.B.A. from Stanford Business School, where he and several classmates founded a popular course on leadership, and he collaborates with faculty at Stanford's Institute of Design (the d.school). Previously, he worked in venture capital with Summit Partners, a leading investment company, including as part of the team that established the firm's London Office. He frequently speaks or advises at corporations, associations, and universities, including Pixar, Eli Lilly, Cisco Systems, Qualcomm, and Stanford University.

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