

## Lessons from Pixar – Taking Direction from the Masters of Movie Making

I went to see the movie “Wall-E” with some reluctance last year. After all, how compelling is the story about a trash compacting robot – especially when the first half of the movie was rumored to have no dialogue? I imagine that most people who saw this movie for the first time had similar concerns, but they were quickly extinguished shortly after the story unfolded. I should have known better than to doubt the genius of the people at Pixar, especially since “Wall-E” was their ninth in an unbroken string of blockbuster hits.

Ever since Pixar released “Toy Story” in 1995 -- the first full length computer animated film -- I have been curious about how this company could be so consistently masterful. In particular, I was intrigued by the challenge of effectively bringing together such diverse personality types as computer programmers and artistic animators, especially given my personal experience with marketers and actuaries. Fortunately, there’s no shortage of articles and books documenting and opining about this remarkable company, although in preparation for this piece the best resource turned out to be a book written by David A. Price titled “The Pixar Touch”.

[http://www.amazon.com/Pixar-Touch-Vintage-David-Price/dp/0307278298/ref=sr\\_1\\_1?ie=UTF8&s=books&qid=1254231882&sr=1-1](http://www.amazon.com/Pixar-Touch-Vintage-David-Price/dp/0307278298/ref=sr_1_1?ie=UTF8&s=books&qid=1254231882&sr=1-1)

It turns out that the Pixar story was remarkable in a variety of different ways – many of which provide insightful lessons for the insurance industry. The origins of Pixar came about in 1975 when Alexander Schure, founder of the New York Institute of Technology, hired Edmund Catmull and Alvy Ray Smith to head up the college’s computer graphics department. In reality, Schure wanted to take on Disney and saw a great future in using computer graphics as a means to replace much of the replication involved in hand drawn animation. Catmull and Smith shared this vision even though the technology in 1975 could barely support even the crudest graphic renderings. Schure hired a team of animators to work with Catmull and Smith in an effort to produce their first animated movie – Tubby the Tuba – which was released in 1977. Price writes in his book that the movie was so horrible that at the initial screening, one of the animators stood up and lamented, “I’ve just wasted two years of my life”!

The failure of Tubby the Tuba turned out to be an epiphany for Catmull and Smith and their realization became the rallying cry for Pixar that persists to this day. They came away from the Tubby trauma with the knowledge that technical execution wasn’t sufficient -- the most important thing was the story. This is an especially important reminder to insurance companies since so much of our attention is focused on administrative systems, procedures, regulations, and investment management – it’s easy to forget that our *raison d’être* is to provide protection and peace of mind to our policyholders. Regardless of how strategic our mergers or acquisitions are, or how slick our commissions systems operate, or how artfully priced our products are, the most important factor for the long term viability of any insurance company is to make sure that we have a compelling story to tell our policyholders about what we do and why we do it, and then to have the entire company standing in support of that story. Without this, we’d have no customers, no focus, and most importantly, no credibility. For Pixar, this became the filter for all of their decisions and is the single factor that they attribute their long string of blockbuster hits. In fact, less they forget, featured prominently throughout their headquarters are signs proclaiming “the story is everything.”

Pixar’s definition of a successful movie is also highly unusual. Although news reports dutifully tally box office receipts every weekend in order to determine the “winner” as measured by most revenue, Pixar was quoted as saying they didn’t make movies in order to make money – they made money in order to continue making the best movies. This convoluted logic that places excellence ahead of profit is common among many of the most successful companies and raises questions regarding how insurance companies may measure the success of their products. What constitutes a blockbuster insurance product? Is it measured by gross premium? By the number of new agents recruited? By statutory profits? Or could we assume that all of these objectives might be met if we focused on developing products that best supported the story we built our companies around? Pixar believes that if they make good movies, people will come to see them and all of the financial success that comes from that result will follow. It’s not unreasonable to apply the same logic to insurance products. This approach is very similar to the Raving Fans methodology that I wrote about in my June 2009 article.

[http://www.loma.org/LICarticle\\_June09.asp](http://www.loma.org/LICarticle_June09.asp)

Another important lesson for insurance carriers is Pixar's willingness to take risks. Given that the very foundation of our industry is to protect against risk, this may be the hardest lesson of all to consider. For example, Randy Nelson, dean of Pixar University (more on that later), uses an example from NASA to illustrate the culture for risk taking that permeates Pixar. When NASA first began accepting applications for the first astronauts to walk on the moon, they obviously couldn't use experience as a qualification since no one had done this before. When they found themselves with piles of resumes from incredibly accomplished individuals, they were hard pressed to determine how to differentiate one particularly successful candidate from another. The differentiating factor turned out to be error recovery versus failure avoidance. In other words, NASA selected candidates who had failed during their career but bounced back rather than those who had played it safe and never failed at all. In fact, if you look at Pixar's movie selection from this perspective it almost looks as if they were inviting failure. For example, the movie "Cars" came out in 2006 and, although it was ultimately a financial success, it received the worst reviews of any previous Pixar movie. In fact, many wondered if the company had finally peaked. So how did they follow up this critical pancake? With "Ratatouille" – a movie about rats scurrying around in a kitchen making food! And they followed up "Ratatouille" with "Wall-E", which I already mentioned was an odd choice for a feature film. Furthermore, a quick look at the senior people at Pixar reveals that the vast majority had been fired from previous jobs or had taken chances with somewhat dubious results on other projects.

This acceptance of risk taking in the context of the valuable lessons that can arise from failure is an important reminder for businesses in all industries – but especially for the risk adverse insurance industry where the very nature of our products and our culture supports the antithesis of this sort of thinking. I am not advocating for companies to engage willy-nilly in careless decision making in the interest of intentionally leveraging failure as an academic exercise. On the contrary, rather than attempting to change a company's risk tolerance, it may be more worthwhile to revise the company's perception of failure as an opportunity to learn rather than a result to be avoided at all costs.

Regarding the challenge of effectively synergizing the diverse and contrary talents of the technical as well as the creative expertise required for filmmaking, Pixar employs three unique strategies. First is their approach to brainstorming. It is universally accepted that in brainstorming there's no such thing as a bad idea. Yet in reality, there is always reluctance to share as well as no shortage of judgment and negativity. Pixar addresses this by embracing the two rules of improvisational comedy: always accept every offer, and always make your partner look good. In fact, they even offer a class on improvisation in order to drive this philosophy home to their employees. When people are making things up on the fly in front of a room full of people, there's a real need to rely on your partners or else you will all collectively suffer the humiliation of a joke falling flat. As a result, new ideas are greeted gratefully rather than reluctantly because the more material you have to work with, the better your chances of success.

Another technique for leveraging rather than limiting the diverse talents of their employees is to embrace and utilize the very traits that make them different. For example, Pixar encourages their very detailed oriented computer graphics personnel to indulge their penchant for perfection. When the company was contracted to create a two minute computer sequence for the Star Trek movie "The Wrath of Khan", the computer folks researched the actual star maps so that the stars visible during their sequence weren't random specs of light but were the true configuration of the night sky from that particular perspective. And when they created Sully, the big blue monster in the movie "Monsters, Inc." they carefully positioned every hair on his body so that the physics reflecting how his hair responded to movement and light would be accurate. In fact, in case anyone is interested, there are exactly 2,320,413 hairs on that character!

Such an extreme attention to detail may seem a little unnecessary, but Pixar rightfully points out that by managing their projects to such minutiae of detail, they are less likely to miss the bigger items that truly can spell the difference between success and failure.

The creative people are equally encouraged to indulge. For example, to prepare for the creation of "Ratatouille",

the senior film team was sent to Paris to intern for a month in a French restaurant. For the creation of “Nemo”, Pixar periodically brought in experts from a variety of universities to lecture on such diverse topics as jelly fish propulsion and underwater luminescence so that the animators could get the movement and the colors correct. And much to the chagrin of their co-workers, they even sent a group to Hawaii for two weeks to certify them to scuba dive so that they would have intimate experience with being underwater.

This approach to detail and research has tremendous application to insurance companies since, for the vast majority of companies, very few home office staff has any actual experience selling an insurance policy. It’s difficult to pursue a detailed analysis or an informed creative response to a particular process or procedure without having any firsthand experience with the ultimate end result.

And lastly – but arguably most importantly – Pixar offers the equivalent of an undergraduate degree in fine arts and film making to all of their employees through their company sponsored Pixar University. All employees are encouraged to partake in any number of the 110 courses offered and are even allowed time away from their work to do so. When asked why it was important for an accountant to study something such as drawing, which is so far removed from their primary duties, Pixar pointed out that drawing helps people see things differently – an incredibly useful skill for an accountant to have. An additional benefit is that by understanding drawing better, the accountant might be able to communicate more effectively with an animator – and the same goes for an animator learning accounting. But most compelling is the summary statement that “ultimately, we all have the same job -- we’re all film makers here”. This philosophy truly captures the common focus and unified sense of purpose that drives Pixar to never forget that the story is everything.

This expansive commitment to education raises some interesting questions for insurance carriers. Are all of your company’s employees unified for a common cause? Are there opportunities to expand their knowledge beyond their particular area of expertise? Are they all insurance agents, in one form or another?

Without a doubt, movie making requires different skills than successfully managing an insurance company. However, the ability to focus an entire company around a common cause, or to foster a culture that encourages risk taking, or to successfully synergize diverse personality traits are all valuable skills regardless of the industry. And Pixar does these things better than most.

So the next time your company is developing a new product, consider sending your development team into the field to try to sell it themselves first. Or perhaps you can kick off your next strategic planning session with a class on improvisational comedy? Or maybe it’s time to reinvigorate your company’s commitment to employee education by seriously embracing LOMA education, LIMRA research, and LIC workshops? But most importantly, if you’re considering sending your senior management team to Hawaii to learn how to scuba dive, I’d like to forward you my resume first!

If you’re interested in learning more about Pixar, you may want to check out the following links:

[http://www.mckinseyquarterly.com/Innovation\\_lessons\\_from\\_Pixar\\_An\\_interview\\_with\\_Oscar-winning\\_director\\_Brad\\_Bird\\_2127](http://www.mckinseyquarterly.com/Innovation_lessons_from_Pixar_An_interview_with_Oscar-winning_director_Brad_Bird_2127)

[http://discussionleader.hbsp.com/taylor/2008/07/pixars\\_blockbuster\\_secrets.html](http://discussionleader.hbsp.com/taylor/2008/07/pixars_blockbuster_secrets.html)

<http://www.nytimes.com/2006/01/29/business/yourmoney/29pixar.html>

<http://www.edutopia.org/randy-nelson-school-to-career-video>