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How big companies can innovate

Who says innovation is only for start-ups? In these interviews, the heads of three large, established companies—Intuit, Idealab, and Autodesk—argue there’s no reason big players can’t develop the next big thing.

It’s almost conventional wisdom that innovation springs from developers and entrepreneurs based in start-up hubs such as Silicon Valley. But in the following video interviews, Intuit cofounder and chairman Scott Cook, Idealab founder and CEO Bill Gross, and Autodesk president and CEO Carl Bass contend that large, established companies can also make innovation a priority. They discuss why a company should be prepared to spend money on big ideas, how it can remove roadblocks to experimentation, and the merits of creating its very own idea incubators. These interviews were conducted by McKinsey Global Institute partner Michael Chui, and edited transcripts of their remarks follow.

Making innovation easier: Intuit’s Scott Cook

Increasingly, smaller companies—and, in particular, start-ups—are seen as the hotbeds of innovation. So is it now destiny that large companies will be dull, slow-moving, slow-growing and that all the exciting stuff will be done by small, agile start-ups? I don’t think so. But I think large companies need things like lean start-ups even more than small companies do.

If I had to point to one thing that’s made the biggest difference at Intuit—and there’s a package of things—it was to change how we make decisions, whenever possible, from decision by bureaucracy, decision by PowerPoint, persuasion, position, power, to decision by experiment.

Normally, companies put up a phalanx of barriers and hurdles and mountains to climb that may not seem hard for the boss or the CEO but are intensely hard, impossibly hard, for our young innovator to conquer. So our job as leaders is how do we get all those barriers out of the way?

So we put in a series of systems and a culture where the expectation is that if there's an idea that someone's passionate about, we put in a system to make it easy and fast and cheap for them to run an experiment. Strip it down to what leap-of-faith assumption you want to prove, and how you can run an experiment next week or next month, at virtually no resources, to test that idea. Nothing signals more strongly to your organization that you want your employees' ideas. And a culture of experimentation can only work when it's put in place by leaders. The innovators can't do it.

Scott Cook cofounded Intuit in 1983 and now serves as the chairman of the executive committee. He previously worked for Bain & Company and Procter & Gamble. Cook is a member of the board of directors of eBay; Procter & Gamble; the Harvard Business School Dean's Advisory Board; the Center for Brand and Product Management at the University of Wisconsin; and the Intuit Scholarship Foundation.

Investing in innovation: Idealab's Bill Gross

I think it's very, very hard for a company to grow big and still remain innovative. There are very few leaders who can balance the short term and the long term together, and also know how important that growth is, and have a sufficiently long-term horizon that they're willing to sacrifice things.

Steve Jobs was one of those amazing people who could do that. He was willing to cannibalize his iPod revenues, which were \$5 billion a year, by putting the whole mp3 player right in every phone. And there were some people in the company who begged him not to do that. But he said he didn't care.

Larry Page is doing that at Google. He's willing to invest in Google X,¹ where they'll work on bold, bold new projects. And they'll put \$500 million toward that, like to the self-driving car. Now *they* have the money. But there are some companies that wouldn't do that with the money, that wouldn't take big, bold risks that could be big game changers.

I think big companies should visit and start their own accelerators and incubators. A lot of big companies in Los Angeles are doing that; Disney, actually, has an accelerator. It means looking at what models it takes to actually give people equity stakes so that they can act like true entrepreneurs, to give them the autonomy but still have them be connected to the corporation.

I think that's a model that every big company can learn from. And I think it's actually happening. The equitization and the autonomy are the biggest factors. Because the thing that actually unlocks human potential is when people feel they have control over their own destiny and they can make a killing if they really succeed on their wild bet.

¹ For more on Google X, see Brad Stone, "Inside Google's secret lab," *Bloomberg Business*, May 22, 2013, bloomberg.com.

Bill Gross founded Idealab in 1996 and serves as the company's CEO. He started the company in order to create and build businesses that capitalize on innovations in areas with significant growth opportunities. A longtime entrepreneur, Gross founded a company in high school that sold plans and kits for solar-energy products. In college, at the California Institute of Technology, he patented a new loudspeaker design and formed GNP Loudspeakers, Inc. And in 1991, Gross started Knowledge Adventure, an educational-software publisher that grew to be the third largest of its kind in the world and was eventually sold.

Taking risks to innovate: Autodesk's Carl Bass

It's great that there's this threat of new disruptors. As a matter of fact, for CEOs or management of existing companies, it's the greatest thing that ever happened, in some way. It's like the expression, "Don't let a good crisis go to waste."

The threat of somebody doing something is one of the biggest tools you have to motivate, encourage, scare people into taking risks they wouldn't otherwise do. And most corporations are set up and, in some ways, structured and designed to maximize profit and minimize risk.

Yet what you need to do in order to become the disruptor, as opposed to the disrupted, is sometimes exactly the opposite. So, for example, this year we decided for the first time to build our own 3-D printer, which we are making with an open-source design.

It's a reference implementation for the software platform. In the 30-plus years that our company's been in business, we've never made a piece of hardware. So that, for me, would be new. And I think a lot of what people substitute for innovation is trying to be three days ahead of their competitor in the market.

Carl Bass is president and chief executive officer of Autodesk, a leader in 3-D design, engineering, and entertainment software. Bass joined Autodesk in 1993, when the company acquired Ithaca Software—which Bass had cofounded—and has since held several executive positions, including chief technology officer and chief operations officer. Bass serves on the boards of directors of Autodesk, Quirky, and E2open. □

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