“People ask me” why I got into high tech, Bill Campbell jokes with visitors to his Palo Alto office. “I tell them you should have seen my coaching record.” Indeed, in six seasons, during the 1970s, as head football coach at his alma mater, New York’s Columbia University, Campbell never turned in a winning season.

It’s been a different story in Silicon Valley, where Campbell, a wiry, energetic former college linebacker, moved more than two decades ago to join Apple Computer and market the brand-new Macintosh. Since then Campbell, 66, has served as CEO of three high-tech companies, including software maker Intuit, whose board he now chairs. He also sits on Apple’s board and serves as a low-profile, high-level counselor to many emerging high-tech companies. To executives at these and other valley icons, large and small, who fondly refer to Campbell as “coach,” it’s precisely his straightforward delivery and seasoned counsel that make him one of the best-known background players in the heartland of US technology and innovation. Campbell “is the single best mentor and coach of CEOs, teams, and talent I’ve ever met,” says venture capitalist John Doerr,¹ who encouraged Campbell to step into a mentoring role five years ago at Google. “Priceless beyond belief” is the way

Google’s Eric Schmidt described Campbell in a profile of Google published in 2005. “Our basic strategy is to invite him to everything.”

Campbell, who grew up in a small steel town near Pittsburgh, doesn’t seek the limelight. But in his career he’s experienced firsthand the spectrum of Silicon Valley scenarios, ranging from technological breakthroughs to the rocket trajectories of new start-ups to failed spin-offs—and the mountains of cash that go up in smoke when products don’t catch on. At Intuit, the maker of the popular Quicken and TurboTax applications, revenues have risen tenfold, to $2 billion, in the dozen years that Campbell has been with the company. More important, perhaps, Intuit is one of the companies that have successfully held their own against Microsoft, the valley’s common enemy to the north.

On a recent afternoon in his Palo Alto offices, Campbell sat down with McKinsey’s Lenny Mendonca and Kevin Sneader to talk about the role of innovation in stimulating growth, as well as the management challenge of building and sustaining an innovative corporate culture.

The Quarterly: You’ve seen a lot of companies go through various stages of development. Many of these companies were successful and known for being innovative. Is there something in common among them?

Bill Campbell: There’s no question that there is. The reason I like to work with some of these companies is because they have founders, CEOs, and management teams that really care about building durability and lasting value. And when I talk to companies, I’m always interested in who’s going to be the next Intel, the next Apple. Who’s going to be the next HP?

I care about the ones that care a lot about operating values, that care about durability and lasting value. I’m not interested in “quick in and out.” All I want to do is be able to help companies with their goals.

When I talked to [Google cofounder] Larry Page the first time, I asked him what he was really trying to create, and he said, “A $100 billion company.” I asked “Market cap?” He said, “No, revenue.” Just that fast. Think about it. Well, that meant he cared big time about doing something great. And, you know, he and Sergey [Google cofounder Sergey Brin] started with a fundamental technology advantage and a philosophy that they believed they could turn into a great company, and that’s what they’ve been able to do.

**The Quarterly:** What’s your approach to innovation?

**Bill Campbell:** I’m a product guy. I mean, I like products. And I believe that intellectual property is a huge differentiator. When I take a look at what went on in the Internet boom, I think if there were people who really paid
attention to the technological underpinnings of companies that were trying to get themselves started, those people would have understood that these were bad investments and that ideas are a dime a dozen. Unless you have some defensible IP or some way to do a service better than someone else—some way that would fundamentally change the way people think about it—then this is probably not going to be a good early-stage company.

The Quarterly: How does innovation happen?

Bill Campbell: Look, innovation can occur in a couple of ways. Many company founders really want to be inventors. They want to break new ground with products and services that haven’t been done before. Google wants to let a thousand flowers bloom. It gives its engineers personal time to work on things of their choosing—potentially breakthrough stuff than can make a difference. These projects are reviewed and evaluated and have the opportunity to become mainstream Google products. On the other hand, Apple applies technology. It says, “We’re going to do this, and we’re going to do it better than anybody.” There were MP3 players out there before the iPod. And people forget the fact that Apple put out the iPod before the iTunes store. Just think about it. Today everything looks so seamless, but Apple didn’t do that right at the beginning. Steve Jobs, over a period of time, figured out how to apply technology to consumer products that people want: a seamless end-to-end experience.

The Quarterly: With all the different forms that innovation can take, how does an executive build and support an innovative culture?

Bill Campbell: 3M used to get pats on the back for its projects: stickies and all that stuff. Some companies continually support an environment of innovation. It’s where the crazy guys have stature, where engineers really are important. And this will be the unique thing you hear from me. If you start with that, you have a better chance of maintaining a culture of innovation.

The Quarterly: This is the Campbell School of innovation?

Bill Campbell: The Campbell School is that engineers need to have clout. When I went to Intuit, I would have the directors of engineering have lunch with me every Friday. We’d bring in pizza; we’d sit there and shoot the bull. And I wasn’t in there talking about new ideas. I was in there talking to them about how we could do more things the same: I wanted standards on whatever we were going to do. What are the languages we’re going to use? How are we going to do quality assurance? Things like that. But it wasn’t
just that. The idea was that they had the CEO privately for two hours every Friday. And there wasn’t a thing that went on that somebody couldn’t bring up and say, “This is screwed up. We’re really struggling with this—what can we do?”

Later, as we got closer, I’d get sushi and take the four of them in my car. We’d drive to one of the engineers’ houses, watch Monday Night Football, and eat and talk about what we could do to make our engineering environment better. We changed many things to make this happen: fellowship programs, fellowship awards, engineering bonuses, extra vacations for heroic work.

The Quarterly: You’ve seen a payoff from all that?

Bill Campbell: When we were trying to build Quicken.com, we bought a company out of Pittsburgh. We had a really good group of engineers there. So I said to the head engineer, “We’re going to turn this into a development center, and you guys can do a lot of work on various products.” He said, “Can I talk to you for a minute?” I was sitting right outside a hotel in downtown Pittsburgh, and the guy says to me, “We want to come to Silicon Valley. We want to do great products, not finish others’ work. We want to be in the company’s mainstream. We don’t want to be out here doing fringe development. And we want to come to Silicon Valley.” So we brought them all out here—16 or 17 came—and that became the beginning of our Quicken.com development group. And these guys showed all the rest of our guys how to do server-based work and create a world-class Web site.

The real point is that engineers should have the ability to say, “This is what we want to do, and all the product managers in the world aren’t going to talk us out of this.” Later, when we started doing a lot of banking, we hired some product managers with bank experience. One day, one of them comes to a meeting that included me and banking engineers and says, “I want these features.” And I replied, “If you ever tell an engineer what features you want, I’m going to throw you out on the street. You’re going to tell the engineers what problem the consumer has. And then the engineers are going to provide you with a way better solution than you’ll ever get by telling them to put some dopey feature in there.”

The Quarterly: Are you innovative?

Bill Campbell: I’m not innovative. I support innovation. There’s not a product idea that I’ll ever have that’s going to amount to anything. But what I’ll do is make sure that the right people are in the room and that the
lunatic fringe has an opportunity to contribute. Most of the people in the world are like me and not like Steve Jobs or Eric Schmidt as CEOs—in their respective companies, each of them knows technically what all of the products and services are capable of doing and can envision this. That’s not what I do. And I don’t think there are very many CEOs in the world who can do what Steve Jobs and Eric Schmidt can. But they also know how to empower engineers. I can tell you this: empowered engineers are the single most important thing that you can have in a company.

The Quarterly: How do you encourage the lunatic fringe and cope with Wall Street and the pressure for strong quarterly earnings?

Bill Campbell: What you do is set expectations. When was the last time anybody told you what the operating-income percentage was? Tell me what the operating-income percentage is at Apple. You have no idea. But you know that what matters is that you beat the previous quarter or the comparable quarter a year ago. So just do that. I would sit there and tell analysts all the time that we are going to keep our R&D at 14 percent, 15 percent of revenues. We just have to if we expect to be an innovative company—that’s what it’s going to cost. Maybe I could give back a point or two, but I would rather put that point in R&D than give it to Wall Street.

The Quarterly: So what’s in the Bill Campbell playbook to keep teams of innovative engineers motivated when a company gets as big as Intuit or Google is now?

Bill Campbell: Engineers care deeply about the projects they work on—projects that they really feel passionate about. After a forced march to a product launch, you might feel that they need a break. So you give them a break; give them some time off. And when they come back, you say, “Go tinker. See what you want to do. Discover new things. Look around the company and see if there are some things you really feel we ought to do.” You can’t do that for 50 people, but you can for 5 or 10. And you can make sure that these guys are your “war guys”: guys you really want to have in the company, ones that make a difference.

The Quarterly: Where do great engineers come from?

Bill Campbell: They can come from anywhere. More likely from the best technical schools, because there’s a premium on innovation. They think about it from the time they’re in school. All geographies are producing great engineers, but our US universities are still producing our most innovative ones.
Coaching innovation: An interview with Intuit’s Bill Campbell

**The Quarterly:** If a company doesn’t have a collection of engineers passionate about pushing the envelope, can you build that culture?

**Bill Campbell:** I’m absolutely convinced you can build that. You need a leader. You have to go out and recruit the best person you can who knows how to create an innovation culture. He or she doesn’t need to be personally the most innovative person, but he or she needs to know how to foster innovation. Then give that person license to hire. Go get yourself some teams. Recruit people who have the “DNA” that you want. But you’ve got to be careful that you don’t make engineers beholden to product-marketing people. For me, growth is the goal, and growth comes through having innovation. Innovation comes through having great engineers, not great product-marketing guys.

**The Quarterly:** How would you manage that kind of company?

**Bill Campbell:** There are ways to think about organizing your teams so that you can get better results. My contention today is that if a month is 20 working days, you’ve got to spend a day doing nothing but reviewing projects. A whole day, with the whole management team, so that we can clean up those projects, clean out the ones that aren’t going to be good, and take the bodies that are recovered and put them on the projects that look like they have the best prospects.

You also need strong, capable management. I push hard on hiring, developing people, making them better. And I push hard on innovation and best practices. In the absence of true innovation, there’s no excuse for not knowing where the best practices are. And a lot of best practices can come as tweaks that will make a practice more innovative. I give high grades to anybody who knows exactly what’s going on in the industry and can adapt to this quickly.

**The Quarterly:** Can big companies do what you’ve been talking about?

**Bill Campbell:** There’s absolutely no question. I think that if you have a $2 billion company, what you have to do is take that philosophy to your managers and make sure they apply it. Look at what Jeffrey Immelt’s doing at GE. I know he’s pushing innovation and engineering practices in that organization. Just read between the lines when you look at what the guy’s
doing. It’s no longer, “Let’s just go buy somebody and add another $500 million of revenue and then make sure this will be $500 million of really profitable revenue.”

The Quarterly: How do you kill the things that won’t work?

Bill Campbell: I think there are boundaries that you want to make sure you have. You don’t want to start anything unless you really think it has an opportunity. You should act as if you’re the venture capitalist, as if I came to you and said, “Look, I’ve got a crazy idea. Let me tell you about it.” You would reply, “Give me a little bit of a business plan here. I’m not expecting this thing to be the tightest thing in the world, but let me just ask this: who’s the product for? What’s the total available market for this product? Forget what share. And just what will this do? What in the behavior chain is this going to change?” People have got to be able to justify why they’re doing something. Just what problem are we trying to solve? And a product has to pass somebody’s test of reasonableness before it can be initiated.

What you have to do is really accept failure. If you’re unwilling to say that out of five or six things you’ll try, two or three are going to fail, then you had better not do it. Because you’re not going to get everything right. If you think that you’re going to project every single detail, it’s just not going to happen. Some of those things, you’ve got to be able to adjust.

And you’ve got to make sure that you have some freedom to fail. That means, if it’s one point in a billion-dollar company, or one point in a $2 billion company, that you know that one point is just your mess-around point, that you know that that’s going to go into R as opposed to D. That’s an important thing. You just know that some amount isn’t going to work. This amount is going to test you.

The Quarterly: You’ve talked a lot about the engineers. What’s the role of the customer?

Bill Campbell: We have to be careful about the customer. I learned this from Steve Jobs years ago. When I came to Apple, I brought my Kodak research mentality, and Steve’s view was, “Stuff your research. Nobody’s ever going to give you feedback on something that they can’t conceive of.” And so we would argue those points. And I still joke with him and say, “A marketing person would never have conceived of a Macintosh. But a marketing person could have made it better.”

The Quarterly: Say that I’m a new CEO, and I’m in a company that’s performing well. It’s not a turnaround. And I come in there and say, “OK,
Bill, what are the first couple of things you would tell me if I want to increase my level of innovation?

Bill Campbell: First of all, I would really be interested in how product development works. And then tell me what the marketing organization looks like. I hate the split between product marketing and end-user marketing, because I don’t believe in it. I spoke at one of these CMO conferences, and the topic they wanted me to talk about was why marketing lost its clout. My short and simple answer was, “Because marketing forgot its first name—product.”

What I’m saying here is that we’ve elevated brand management, PR, and advertising to the point where the communications seem more important than the product. I’m a reasonably good product-marketing guy, and I’m not a great product guy. But I can tell you how to make sure that engineers know the information they have to get and what kind of feedback I need to get from customers so that we can do the right stuff, because I care a lot about having great products.

So I would keep pushing. Is your product-marketing guy good? Tell me what kind of impact he or she has on products. Tell me how the engineers respond. Do you have some supercreative guys on your engineering teams? What do you do with them? Tell me how you get new ideas. I’m not a magician, but I really do push these little things that I think will make a difference.

The Quarterly: What has been the most impressive innovation you’ve seen?

Bill Campbell: The first Mac was phenomenal. What it did was make computing approachable. It was what we called “the democratization of the personal computer.” You can go back and think about what people did with computers back then. A lot of people will tell you, “Well, they had these computing-intensive products.” But we used to think about the Macintosh as a communications device. Can we do word processing? Can we do spreadsheets? Can we do presentations? And if you think today about what you do with your computer, you do word processing, you do spreadsheets, and you use the heck out of e-mail. Your computer today is your communications device. But when you think about it, the Macintosh was, right back then. That’s what computers have become, and that’s what we believed in 1984.