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SPOTLIGHT ON PRODUCT INNOVATION

The Innovation Catalysts

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on a company's front lines. You just need to
encourage it. *by Roger L. Martin***





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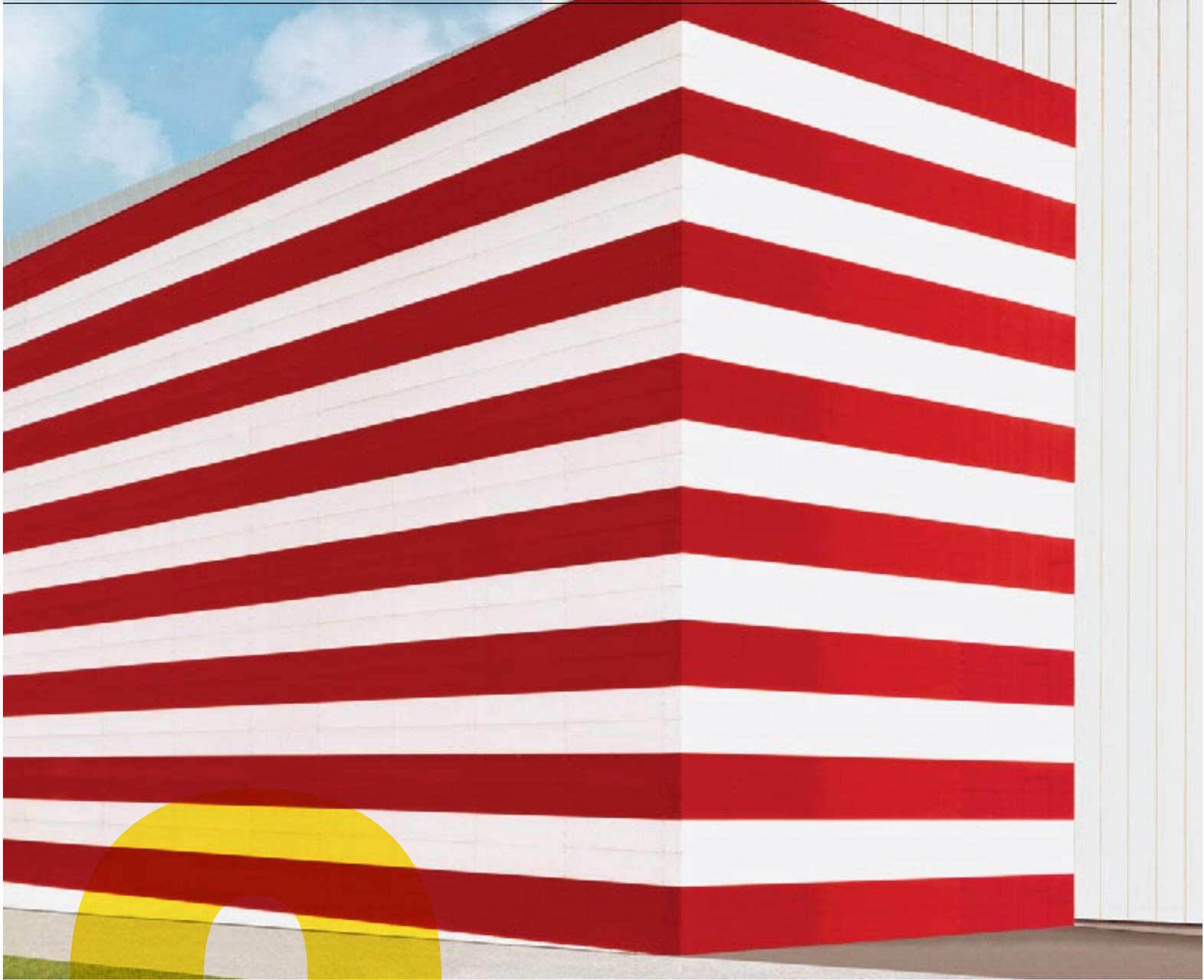
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ARTWORK Josef Schulz, *Halle rot #1*, 2001
C-print, 98 x 124 cm



ONE DAY in 2007, midway through a five-hour Power-Point presentation, Scott Cook realized that he wasn't another Steve Jobs. At first it was a bitter disappointment. Like many entrepreneurs, Cook wanted the company he had cofounded to be like Apple—design driven, innovation intensive, wowing consumers year in and year out with fantastic offerings. But that kind of success always seemed to need a powerful visionary at the top.

This article is about how Cook and his colleagues at the software development company Intuit found an alternative to the Steve Jobs model: one that has enabled Intuit to become a design-driven innovation

machine. Any corporation—no matter how small or prosaic its business—can make the same grassroots transformation if it really wants to.

The Birth of the Idea

Intuit's transformation arguably began in 2004, with its adoption of the famous Net Promoter Score. Developed by Fred Reichheld, of Bain & Company, NPS depends on one simple question for customers: How likely are you, on a scale of 0 (not at all likely) to 10 (extremely likely), to recommend this product or service to a colleague or friend? "Detractors" answer from 0 to 6, "passives" answer 7 or 8, and "promot-

ers” answer 9 or 10. A company’s Net Promoter Score is the percentage of promoters less the percentage of detractors.

For the first couple of years, Intuit saw its NPS rise significantly, owing to a number of marketing initiatives. But by 2007 NPS growth had stalled. It was not hard to see why. Although Intuit had lowered its detractor percentage substantially, it had made little headway with promoters. Customer recommendations of new products were especially disappointing.

Clearly, Intuit needed to figure out how to galvanize its customers. Cook, a member of Procter & Gamble’s board of directors, approached Claudia Kotchka, then P&G’s vice president of design innovation and strategy, for advice. Following their discussions, Cook and Steve Bennett, then Intuit’s CEO, decided to focus on the role of design in innovation at a two-day off-site for the company’s top 300 managers. Cook created a one-day program on what

The group was mesmerized. Afterward Cook informally polled the participants, asking what takeaways they’d gotten from the daylong session. Two-thirds of the lessons they reported came from the hands-on exercise. This reaction made Cook think: He might not be the next Steve Jobs, but perhaps his company didn’t need one. Given a few tools, coaching, and practice, could the grass roots of the company drive success in innovation and customer delight?

From Idea to Initiative

Like most Silicon Valley tech companies, Intuit had user-interface designers, graphic designers, and others buried relatively deep in the organization. Cook turned to a particularly talented young design director, Kaaren Hanson, and asked her what she would do to promote design at Intuit.

Hanson realized that the company needed an organized program for moving from talking about

In one year, 32 ideas generated by an in-house social network called Brainstorm made it to market.

he called Design for Delight (D4D)—an event aimed at launching Intuit’s reinvention as a design-driven company.

The centerpiece of the day was that five-hour PowerPoint presentation, in which Cook laid out the wonders of design and how it could entice Intuit’s customers. The managers listened dutifully and clapped appreciatively at the end, as they were supposed to; Cook was, after all, a company founder. Nevertheless, he was disappointed by his reception. Despite some interest in the ideas presented, there was little energy in the room.

But although the main event fell flat, the one that followed did not. Cook had met a young consulting associate professor at Stanford named Alex Kazaks, whom he’d invited to present for an hour at the off-site. Like Cook, Kazaks began with a PowerPoint presentation, but he ended his after 10 minutes and used the rest of the time for a participatory exercise: The managers worked through a design challenge, creating prototypes, getting feedback, iterating, and refining.

D4D to doing it. She persuaded Cook to let her create a team of design-thinking coaches—“innovation catalysts”—who could help Intuit managers work on initiatives throughout the organization. Hanson selected nine colleagues to join her in this role. Their training and deployment was her central agenda for FY 2009.

In selecting the nine, Hanson looked first for people with a broad perspective on what it meant to be a designer: Beyond creating a graphic user interface that was both appealing and intuitive, it included thinking about whether the software solved the user’s problem in a delightful way. She wanted her coaches to be interested in talking to users and solving problems with colleagues rather than depending solely on their own genius. If they were to successfully coach others in design thinking, they’d need an outgoing personality and good people skills.

She invited two direct reports from her own business unit and seven people from other units across the company. The group included six women and four men. They came from a variety of fields within

Idea in Brief

Many entrepreneurs want their start-ups to be like Apple—design driven, innovation intensive, wowing consumers with fantastic offerings. Unfortunately, that kind of success always seems to require a powerful visionary at the top, which few companies have.

Scott Cook, a cofounder of Intuit, realized that innovative design could be generated from the ranks if the frontline troops were empowered to develop their own ideas. Intuit created a team of 10 “innovation catalysts” to help managers throughout the organization work on design initiatives.

In a process known as Design for Delight, managers identify customer pain points through direct field research, brainstorm about how to reduce them, and swiftly prototype solutions. The impact on Intuit has been huge: Net Promoter Scores, revenue, and income have increased substantially over the past three years.

Intuit—design, research, product management—and had titles such as user-interface architect, principal researcher, staff designer, and product manager. Hanson chose people who were influential even though they were all one or two levels below director, meaning closer to the bottom of the organization than the top. All nine signed up enthusiastically.

To begin building design thinking into the DNA of the company, Cook and Hanson organized a series of Design for Delight forums. These were typically attended by more than 1,000 employees and featured a speaker who'd had exemplary success in creating customer delight. Half the featured speakers came from inside Intuit; the other half included the founding CEO of Flip Video, Facebook's top data scientist, and the head of Apple Stores. The forums also showcased D4D successes to date and shared best practices. People who worked together were encouraged to attend together and were asked as a team to identify the one thing they would do differently after the forum.

To ensure that managers who were thinking design didn't become too intimidated to begin the process, or frustrated trying to do something with which they had little experience, or delayed by needing to hire an outside design consultant, Hanson's innovation catalysts were available to help any work group create prototypes, run experiments, and learn from customers. Of course, there was a risk that this would stretch the catalysts too thin, so Hanson placed some constraints on their availability. They were expected to spend 25% of their time on big-payoff projects for Intuit overall. Hanson kept in close contact with general managers who had catalysts working with them to make sure that the catalysts were addressing the managers' biggest problems. She realized that if design momentum was to be maintained, her coaches had to be seen as responsible for three or four visible and high-impact wins a year.

Some enabling came from the very bottom of the organization. In 2008 two employees who had been at Intuit only four months designed an online social network for the D4D initiative, which they rolled out the following year with management's consent but without its direct support. In its first year the new platform, named Brainstorm, generated 32 ideas that made it to market.

From Presentations to Experiments

Traditionally, decisions at Intuit had been made on the basis of PowerPoint presentations. Managers would work to produce both (what they saw as) a great product and a great presentation for selling the concept to their bosses. Under this system Intuit managers voted on ideas and then tried to sell them to customers. A key component of D4D, therefore, was shifting the focus away from managerial presentations. It would be far better, Hanson and Cook realized, to learn directly from customers through experiments.

Today D4D innovations begin with what Intuit calls the painstorm—a process developed by two innovation catalysts, Rachel Evans and Kim McNealy. It is aimed at figuring out customers' greatest pain point for which Intuit can provide relief. In a painstorm, team members talk to and observe customers in their offices or homes rather than sit in Intuit offices and imagine what they want. This exercise often shatters preconceptions. Going into one painstorm for a sales-oriented product, the team was convinced that the product concept should be “Grow your business.” But the painstorm showed that “Grow your business” sounded very ambiguous to customers—it could refer to growing revenues from their existing customers (not a pain point for them) or to acquiring similar small businesses (also not a pain point, but expensive). The true pain point was acquiring entirely new customers through organic

Recruiting the Innovation Catalysts

In 2008 Kaaren Hanson sent this e-mail to some Intuit colleagues:

Subject: Phase II of Design for Delight—we need YOU

You have been nominated (and your participation has been approved by your manager) to help us drive Phase II of Design for Delight at Intuit. You are a critical leader who can enable Intuit to become one of the principal design-thinking cultures. We have a number of levers at our disposal but we need your help to develop even better ideas to drive design thinking deeper into the organization.

Here's what you'll be committing to:

ACTIVELY PARTICIPATE IN A ONE-DAY BRAINSTORM/WORKSHOP in early August to work through what we (as a force of design thinking and as a larger company) might do to take Design for Delight to its next level. Scott will come by and respond to our ideas/plan towards the end of the day

COMMIT TO THE EXECUTION OF INITIATIVES generated through the August workshop

sales efforts. “Get customers” was a winning concept that focused laserlike on that.

Next, within two weeks, the group holds a “sol-jam,” in which people generate concepts for as many product or service solutions as possible to address the pain points they’ve identified and then weed the concepts down to a short list for prototyping and testing. In the early days of prototyping, these high-potential solutions were integrated into Intuit’s software development process. But the innovation catalysts realized that the best way to maintain momentum would be to get code into users’ hands as quickly as possible. This would help determine whether the solution had potential and, if so, what needed to be done to enhance it. So the third step became moving immediately to “code-jam,” with the goal of writing code that wasn’t airtight but was good enough to take to customers within two weeks of the sol-jam. Thus, proceeding from the painstorm to the first user feedback on a new product usually takes only four weeks.

Let’s look at a couple of examples. When Intuit’s tax group began to think about mobile apps, Carol Howe, a project manager and innovation catalyst, started with the customer. Her five-person team went “out in the wild,” she says, to observe dozens of smartphone users. It quickly narrowed in on millennials, whose income range made them likely candidates for the simplest tax experience. The team created multiple concepts and iterated with customers on a weekly basis. They brought customers in each Friday, distilled what they’d learned on Monday, brainstormed concepts on Tuesday, designed them on Wednesday, and coded them on Thursday, before bringing the customers in again. Through these iterations the team uncovered multiple “delighters.” They launched a pilot in California in January 2010 and expanded nationwide in January 2011. The resulting application, SnapTax, has 4.5 stars in both

the Apple and Android stores and a Net Promoter Score in the high 80s.

An even better example comes from India. In 2008 members of the India team came up with an idea remote from tax preparation and other core Intuit North America products, none of which were likely to succeed in India. The idea, a service for poor Indian farmers, was interesting enough for Intuit to give Deepa Bachu, a longtime development manager, the green light to explore it. Bachu and an engineer spent weeks following subsistence farmers through their daily lives—in the fields, in their villages, and at the markets where they sold their produce. The two came to appreciate the farmers’ greatest pain point—perishable inventory that either went unsold or got a suboptimal price. If Intuit could enable the farmers to consistently sell their produce before spoilage and at a decent price, their pain would be reduced or eliminated.

After the painstorm and the sol-jam, the team went into rapid experimentation. Within seven weeks it was running a test of what was eventually launched as Mobile Bazaar, a simple text-messaging-based marketplace connecting buyers and sellers. To get there so fast, the team had cleverly faked parts of the product that would have been costly and slow to code and build. These came to be known as “fako backends.” What the user saw looked real, but behind the user interface was a human being—like the Wizard of Oz behind the curtain—rather than thousands of lines of code that would have taken months to write.

The initial trials showed that half the farmers were able to increase their prices by more than 10%; some of them earned as much as 50% more. Within a year of launch, Mobile Bazaar had 180,000 subscribing farmers, most of them acquired by word of mouth. They report that, on average, the service boosts their prices by 16%.

BECOME A MORE VISIBLE DESIGN FOR DELIGHT LEADER across Intuit (e.g., help teach a Design for Delight 101 session/workshop to FastPath or some other such leadership session, contribute to the D4D body of knowledge through existing and future contribution systems, be a sounding board for Intuit execs)

BE A D4D COACH/FACILITATOR that the larger company can draw upon (e.g., coach key teams across Intuit in brainstorming, design reviews, etc.)

In total, your commitment will be about 2 days/month—and we'll be able to work around your schedule.

Let me know if you are in for FY09—and I'll get the August date on everyone's calendars. Right now, we're looking at an in-person workshop on August 4th, 5th, or 6th in Mountain View.

From Breakthroughs to Culture

Hanson was pleased with the progress of the 10 original innovation catalysts in their first year and with the organization's receptivity, but she knew that Intuit would have to scale up to make the transformation complete. Brad Smith, the new CEO, was raising innovation expectations for the whole company, focusing particularly on new arenas that he described as "mobile, social, and global." Hanson set a goal for FY 2010 to select, train, and deploy another 65 catalysts. This meant sourcing from a broader pool of talent—going deeper into product management and engineering—and creating a small dedicated team to support the catalysts and increase D4D pull from midlevel managers.

She appointed Suzanne Pellican, one of the original 10, to expand the catalysts' number and capabilities. Hanson had learned from the initial work that the strongest design thinkers didn't necessarily make the best catalysts. She says, "We not only needed people who were design thinkers—we also needed people with passion to give D4D away and help others to do great work, versus coming up with a great idea and bringing it to others."

The catalysts also needed mutual support. Hanson's team had found that they did their best work when they worked together. They learned new ideas and techniques from one another and provided moral support in tough situations. So as Pellican scaled up the catalyst corps, she made sure that each catalyst was part of an organized "posse" that typically extended across business units, allowing new methods to travel quickly from one end of the organization to the other.

To increase the catalysts' effectiveness, Hanson established a second small team—led by Joseph O'Sullivan, another of the original 10—to help middle management embrace both design thinking as a concept and the innovation catalysts as enablers. For

example, after several catalysts reported encountering resistance at the director level, Hanson and O'Sullivan worked to integrate design thinking into Intuit's leadership training programs, applying it directly to problems that leaders faced. In one training program an IT director was challenged to lead a team tasked with reducing company spending on employees' mobile devices by \$500,000. O'Sullivan's group held a one-day session on painstorming and sol-jamming for the team. The IT director achieved the desired saving and won much appreciation from the members of her team for having made their task so much easier than expected. She and the other participants in that leadership training program became fervent D4D advocates.

ENCOURAGING EXPERIMENTATION rather than Power-Point has enabled employees throughout Intuit to move from satisfying customers to delighting them. Design for Delight has stuck because people see that it is an obviously better and more enjoyable way of innovating.

Innovation activity has increased dramatically in the organization. Take TurboTax, Intuit's single biggest product. In the 2006 tax year the TurboTax unit ran just one customer experiment. In 2010 it ran 600. Experiments in the QuickBooks unit went from a few each year to 40 last year. Intuit now seizes new opportunities more quickly. Brad Smith pushed for D4D-led innovation in the fast-growing arena of mobile apps, and within 24 months the company went from zero to 18, with a number of them, including SnapTax, off to a very successful start. Net Promoter Scores are up across the company, and growth in revenue and income has increased over the past three years.

Scott Cook may not have been another Steve Jobs, but it turned out that Intuit didn't need one. ♥

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Employees have moved from satisfying customers to delighting them.