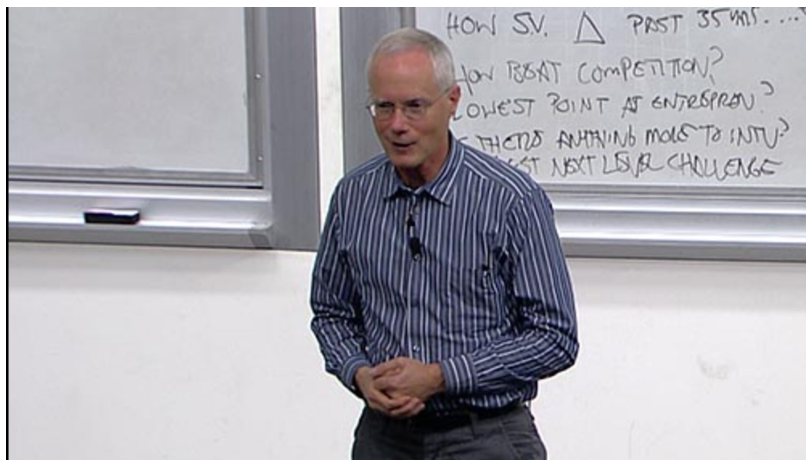


URL: <https://stvp.stanford.edu/blog/videos/accounting-for-intuits-success-entire-talk>

Intuit Co-Founder Scott Cook describes how the financial software company went from struggling startup to runaway market leader by staying focused on the customer and iterating and embracing surprises along the way. In a free-form talk guided by audience questions, Cook shares advice on leadership, perseverance and professional growth.



Transcript

So we're going to do this audience driven.. So I'm going to ask you for questions.. I'm going to put them up here.. So then I'll address the questions that's on your mind.. And I'll probably group them and mush them around a little bit.. But let's do this around your questions.. Yes, sir? How'd your experience at Bain lead you to start Intuit? How did Bain lead to Intuit? Right there.. Is Intuit a monopoly with it's dominate position and what scares you for the future? Oh I wish.. So monopoly and fears.. Over here..

Yes? Tell us about your most challenging career transition.. You mean like changing jobs type of career transition? Up to you.. Most challenging career transition.. Let's see.. Anywhere in this group? Way in back there.. How have you seen the Silicon Valley change in the past two decades and how do view it in the next few years? So the past and the future-- how did Silicon Valley change the past-- and we can do that 35 years-- and in future? Yes? How do you see competition and how did you beat your competition? How do we see competition? Yeah.. Well, kind of like-- competition's like gravity.. it's like-- It's a very competitive market.. I'm sorry? It's a very competitive market.. So how do we see competition? How do we beat competition? Maybe that's operative part..

And there was one in back.. Yes? Why have you decided to get involved in politics? I'm sorry? Try that again.. Why have you decided to get involved in politics? I'm not.. That's easy.. The question was, why did I decide to get involved in politics.. And I'm not, at least unless there's something I didn't know about.. Yes? In your journey to entrepreneurship, what is your lowest point in your life and how you overcome it? You lowest point and how you overcome it.. Lowest point.. And that's the lowest point in entrepreneurship journey? Lowest point as an entrepreneur? Yes.. And your secret..

And my secret.. When I get that figured out, I'll tell you.. There's one in back somewhere.. Yes, sir? Do you see Intuit becoming more than a software company? Is there anything more? Yes, sir? How did you start-- How did I start-- In the beginning, how was it starting-- What was it like to start or how did it start? Which version of that? Some advice you would give to other people who maybe wanted to start something.. That's about three questions.. But I think it was what was it like to start Intuit with really a focus on advice for others.. Let's try back there.. Yes? What is the biggest challenge for Intuit to go to the next level? Let's put that right here, because kind of-- biggest next level challenge.. Okay.. Way in back..

In the past, you've called Intuit a counter-cultural business.. What do you do to foster counter-culture within your community.. So since we're counter-cultural, how foster? Good one.. Good one.. Yes, sir? How do you set goals for Intuit? How do I set goals for Intuit? Hm.. Okay.. Right here.. What advice would you give to your 1983 self? What advice would I give to-- Yourself in 1983.. Oh.. What advice? Yeah, yeah, yeah..

That's a clever question.. If we could replay things but somebody who knew what I knew could go back to then and advise me then.. What advice to Scott in 1983? Got it.. Let's see.. In back there.. What important truth do very few people agree with you on? Hm.. Hm.. I have to think about that one.. What important truth do very few people agree with me on? I got to think about that one.. Just to get a few more here..

Yes, sir? Who are your heroes, and what have you learned from them? Ah, heroes.. And let's see.. Right there.. How do you make this world a better place? Mm-hm.. Yes, sir? What keeps you up at night as an entrepreneur? Yes.. Right there.. When

you set out, what was your concept of success and have you achieved that.. Let's be the last one.. Right there.. Yes? Two favorite books-- business books and non-business books..

Two favorite business books-- Two business books and non-business books.. Oh, and non-business.. I'll do two business maybe and one non.. I think I'll do some of this stuff with the earlier-- bunch of questions on the early years-- starting, goals, how get from Bain, how did we beat competition.. Low point as an entrepreneur-- that will come early.. So let's do-- yeah, let's do that and then we'll move into some others.. Well, it really did start with my wife complaining about the bills.. And she's not bad at it.. She's actually quite good at it.. It just was a waste of time..

This was when the only way to pay bills was to write out checks, put them in an envelope, keep a record in paper and a check register, and occasionally reconcile your records to the bank.. And it struck me that fit a formula for where big businesses come from.. Where can you find a pain or a problem that lots of people have and where you can solve it using technology? And this was a pattern I observed at P&G where I had worked initially.. They tended to find pains or problems that lots of people have, like diapering babies or smelly armpits or dirty clothes or dental cavities in your teeth, and they use technology-- chemistry, usually-- to invent things like Pampers and Tide and Ario and Crest toothpaste.. They were the first to do the fluoride in the toothpaste.. And so this is the kind of problem it seems like everybody would have, because everyone has to pay bills in a household to survive.. And who wants to do that stuff? That was my theory.. And personal computers, which this started in 1982 when I start working with Sandio, they were just coming into homes.. This was the Apple II.. And the IBM PC had just come out..

And those early personal computers were terrible at almost everything.. The only way you got data in largely was by typing.. There was no internet.. Nothing connected.. And the only way data came out was on a cheesy little green character screen or printing on a dot matrix printer.. So they couldn't do most things that you do with computers today.. But the essentials of solving this problem involved just data storage and manipulation.. Redundant data entry, because the bills you pay tend to be the same from month to month.. And printing on a cheaper is fine because banks had to accept checks no matter how badly printed.. So that was the idea..

But then I didn't know if my wife was representative of the population or just plain weird.. I mean, she married me.. So it could be the latter.. So the next thing was to figure out what was the real pain or problem that normal people had in dealing with their finances.. So I went to the library, got the Palo Alto phone book and the Winnetka, Illinois phone book and called households and just ask them, what do you doing on your finances? What do you like? What don't you like? To find out what do they actually do and did they have a problem? And sure enough, it corroborated the hunch.. Everybody did this.. But they did just the basics.. How many people here pay bills sometime in a month? Raise your hand.. Most of you must have good roommates who pay the rest of them.. How many of you do graphs of your finances or balance sheets? Raise your hand..

Yes, that's one or two.. So people stick with the basics because they don't like doing this stuff.. That's what the research showed in the interviews.. So that confirmed what I was thinking.. But then there was this pesky problem of competitors.. This was not a new idea.. There were a couple dozen products already on the market-- software products that ran on Apple II computers that would do personal finance.. And then they were being ported to the IBM.. And so I bought the market leader, a product that sold reasonably well, and my theory was that the big benefit people wanted-- what's the improvement in our life? You always got to ask what's the improvement in the customer's life they most want? My theory was it was to eliminate the time and hassle.. I bought this product, tried it..

It was probably called Home Accountant.. And it was well named.. I think accountants would've loved it.. But it made the product, the problem, slower, harder.. It took more work.. It was harder to use than doing it by hand.. And I said, this is the reverse of what people want, so it seemed to me.. Or at least there's an incongruity between what I learned on the phone calls and what this product does.. It was obscure and hard.. Like if you wanted to categorize your rent payment to a category called rent, you had to remember a code number for rent instead of just typing rent..

So this led to a problem where I couldn't square the circle between the inconsistency of what consumers said and what their behavior was.. They were buying this product.. It was on best seller lists.. So I then went to talk to users.. Now to find users, I went to people in computer stores, employees, people in the computer publications, and interviewed a bunch of them.. First question was, have you tried any personal finance software product? 65% said yes.. Then I asked, do you use any personal finance software product? 4% said yes.. So what does that data tell you? That they didn't like it.. They liked the proposition, they hated the product.. You got a product problem..

Then I asked why did you quit? And the overwhelming response was, oh, it was too hard, too slow, took more time than it was worth.. So it was a direct confirmation of the theory that I developed from the research.. So then I hung around here at Stanford to try to find a software engineer and I found a student here, a junior named Tom Prue.. And I intrigued him with the idea and he said, yes, let's do it together.. And he was intrigued not just with the concept but also with the idea of making software so easy for regular people.. Because if you go back to 1982 and '83, software was hard.. Nobody invested in user interface.. Nobody tested user interfaces.. Engineers would develop and then launch it on an unsuspecting world.. And the stuff was really hard..

There were key combinations like this.. Remember Control Alt Delete? There were products where you had to use that as part of-- combos like that as normal operation.. So software was obscure and hard with big manuals.. So if I tell you you're going to love this product.. It's got a 500 page manual.. What do you think? Oh, no.. Yeah.. Oh, no.. That's the way the software industry was.. So he got excited about the fundamental philosophy of solving people's financial problems and doing it with stuff that was intuitively easy to use, hence the name of the company..

So we thought we had a great idea.. But we were going to hold off in getting venture capital because none of us had done this before.. He was a junior in college.. This was before juniors in colleges built world changing companies.. And I had been a fat and oil salesperson for P&G.. So not exactly your dream team.. So I said, let's get the product mostly built and then we'll pay ourselves nothing and then we'll go to get venture capital.. And then I'm sure they'll fund it when they can actually use it.. So we waited a year to build.. We built very slowly because we didn't know what we were doing..

And the tools, software tools, weren't there.. And then we went to venture capitalists, including classmates of mine from business school.. And they all turned us down.. Everyone.. We went over two dozen.. They all said no.. In hindsight, I understand the logic.. But it was daunting.. It was the opposite of what we expected.. At this point, we had stopwatch time trial data timing people on how long it took to do the bills normally, how much longer it took when you used any of the existing competitors, and how much faster it was when you used us..

We had actually collected the data.. Couldn't convince anyone.. So then the struggles began.. Because now we didn't have enough money to even keep paying the meager salaries we'd started to pay.. We'd grown to seven people at this point.. And so what one of the guys said, well, this VC thing's not working out, Scott.. Let's go talk some rich people.. I said, well, I don't know any rich people.. He said I know two.. So we went and talked to them..

And together we got \$151,000.. So that was our external funding.. And that kept the doors open so we could at least get to launch.. But then we had no money to launch the product.. And this was in an era when there was no online, so you had to do physical boxes sold in stores.. So we managed to talk a bank, Wells Fargo Bank, into marketing it for us.. Because they had money and we didn't.. And so we thought, oh, this could actually work? Well, how much do you think of bank marketing? Yeah.. Yeah.. There's a reason for the snickers..

So they did spend money marketing.. That was really cool.. But the money bought nothing.. We got hardly any customers.. But they introduced us to some other banks.. And the second bank was a bank in Hawaii with a guy in it who was gifted.. He figured out how to sell the stuff.. So he sold a lot in the state of Hawaii.. This was Bank of Hawaii.. And so we sold some other banks..

And we were good at selling banks.. But the banks weren't good selling the software, with one exception in Hawaii, a state this big.. So we ran out of money.. The guy who kept the books, that's Scott, we're about to run out.. We've got to stop paying salaries, stop paying for all the rented computers and rented furniture.. If we keep paying that, we're done in a month.. So I went in front of the company and said, this isn't a layoff.. I'd dearly love you to stay, but I you'll have to find jobs that actually pay you money.. And our merry band of seven shrunk to four.. And I went on the road and just started selling..

And Tom was working on the Apple II version, because we got more cash in.. When we had the Apple II version, some of the banks would pay us more to buy their inventory of it.. So that was our cash lifeline.. And eventually I was able to sell some more banks to keep the doors open longer.. But by then after that, I'd then seen enough data on the success of the banks, this thing about them being unable to sell it.. And so I had to stop selling them, because literally I'd not-- except for one weird exception.. We had 10 banks.. One succeeded, nine had failed.. What do those odds tell you? So I ethically couldn't go to more banks saying, yeah, this is going to work, when it clearly wasn't.. So there our entire revenue stream..

So it was really ugly.. My wife's a planner, always wants to see the plan.. Well, there's no plan for this.. Finally, we went back to the original-- those two rich guys.. They wouldn't invest anymore.. I burned through at this point my savings and my profit sharing plan from Bain.. I'd burned through the lines of credit and credit card.. I kind of burned through all that.. Borrowed from my dad.. And it looked like that was all going to go down..

About this time when this bank thing wasn't working, Tom and I looked at each other and said, we either got to make this thing work or get out.. So let's take and run an ad.. Let's try to get an ad to work to get our message out.. So I had a guy teach me.. We ran an ad that an ad agency created.. It totally failed.. So I had a guy teach me how to write a direct response ad.. You know, one with a little coupon on the bottom, an 800 number.. And I'd write it and he'd critique it and say, no, no.. And I'd do it again and he's no, no..

And we ran that and by God, it worked.. And just about this time, some of the initial customers who'd bought from banks, a small number, started telling their friends.. So suddenly this word of mouth started.. People started telling their friends that this thing really did solve the problem.. It meant less work for the routine financial stuff that people did at the time.. And then people started asking for it by name.. And then the business started tripling.. Now when you triple from selling two units, it's not very impressive.. And from six to 18 is not very impressive.. But you start tripling and the business triple, triple, triple, triple, year after year..

And then it was a rocket ship.. We were scaling.. We only had one phone in the office and suddenly we're getting orders all on.. It was just trying to keep up with the orders.. And retailers started calling and wanted to stock it.. It was just going like you can't believe.. And of course, we became instantly profitable.. Because as soon as you have revenue but no expenses, you're profitable.. So what worked-- and that became, all those existing competitors, all went out of business.. They never copied..

Well, one copied years too late.. And their products literally stopped selling and they went out of business.. And so what worked.. We went and investigated with customers to find out what the real problem was.. And then we stayed focused on it.. If it's saving time, we're going to measure time savings.. We tested.. We brought in-- I knew you couldn't trust our own opinions on what's easy even though we thought we had an easy design.. So we brought in the people we could get for free during the day, trying to be the Palo Alto Junior League because we could get them for donuts and they hadn't used computers.. We put them in front of a computer..

We said here's this new software.. You're going to pay these bills and we're going to watch.. And we thought was so easy, so intuitive.. And then we'd watch them and they'd struggle.. They'd get stuck.. They'd go oh jeez.. And then we'd go back and redesign those places where they struggled or got stuck.. And then we'd bring in another group in a week or two and have them do the same thing and watch where they got stuck.. And then we kept this iterative process of testing in quick cycles so that ease wasn't a theory-- it was a reality.. We had tested and changed our design again and again..

And we delivered the key benefit people wanted.. The big thing they wanted was to less time and hassle doing this chore.. And we relentlessly focused on that and ease and none of the competitors did.. They focus on features.. And they had lots of them.. They would do budgets and balance sheets and pretty graphs and investments.. We focused on the stuff people did all the time and on the big-- and then the word of mouth took over.. Our key salesperson has always been for our stuff, word of mouth.. And that's because we did the product right by delivering the key benefit, that key improvement they want, and then make it so drop dead easy by testing, testing, testing.. So that's what worked..

As far as we know, we were the first people to do what's now called usability testing.. It just hadn't been done up to that point.. We didn't have a fancy name for it.. We just did it because it made sense.. But so that was the lowest point.. The lowest point also was this point when it seemed like we were dead and had no revenue coming in.. I found a bank statement later that showed we had like \$74 in the bank and no revenue in the month of August.. I don't recommend that.. I guess our next question is, what advice to Scott in 1983? Well, probably the intelligent advice would have been, what are you thinking? This is going to be impossibly hard.. But if I had to think through, what I wish I'd known then, a lot of what we went through is probably unpreventable..

I don't think there was a way to get VCs to invest at the time.. And the delightful thing is because the VCs didn't invest, we owned the company.. So that was pretty cool.. The one piece of advice was advice that was useful later.. And that is savor surprises.. Savor-- surprises will happen.. Don't ignore them.. Savor them.. I didn't know this at the time, but we found it by accident.. So we built Quicken and then we went out to find out who was using it-- age, demographics, income, gender, that sort of stuff..

And one question on the survey was where do you use it? And half the people said they used it in an office.. That's weird.. We built a home product.. They're probably just taking their bills into the office because they don't have a computer at home.. I mean this was 1984 at this point.. But every subsequent follow-up survey showed the same thing.. Half the people used it in an office but they're using a home product.. It made no sense.. We ignored it.. I ignored it..

Then like five years later, you know, it bugged me.. Why are people answering this question wrong? So we called them up.. Said, what you doing? And then we went to see them to watch what they're doing.. It turns out most of them weren't doing homework in the office.. They were keeping business books for a small company.. And we said why? Why are you using a home product? Why aren't you using-- there's accounting software out there that you get as cheap as \$39 for a full fledged accounting software.. The market leader sold it \$59.. Excuse me \$49.. \$39 and \$49 were the two prices.. Why aren't you using that stuff? And then we learned something we never imagined..

We'll do a little survey here.. How many people here have taken an accounting class? Raise your hand.. Who here loved that? Just really loved it? Keep your hand up.. So those of you who put your hands down, you what's called normal.. Accounting is this weird arcane system invented 500 years ago with a whole different language of debits and credits and journals and ledgers that normal people don't understand.. And when you look at the composition of the staff in a business of five people or 10 or 12, they don't have room for a CPA that knows accounting.. The books are kept by some unfortunate clerk or office manager or owner's spouse.. And 90% of cases, these are the people think the general ledger, which is an accounting term, was a World War II hero.. So when we said hey, we'll keep a record of your expenses and it works just like your checkbook, these people said, ah, I know that.. So we said, well, what? We've learned the big thing..

The key problem that had not been solved by the accounting software industry was to make the product usable and understandable by non-accountants.. And yet the majority of users were non-accountants.. Note to self-- those companies had never studied their users.. They'd never figured this out on their own.. In fact, the dominant theory if you talked to any expert,

any accountant, was the only way to keep books in a business was double entry accounting, formal accounting.. That's what we believed.. But only the incontrovertible evidence of this surprise, when we savored this surprise, we found out something else was true different from our own beliefs.. And we said let's build a product for them.. So we worked and built and product development had all sorts of issues.. But we built and launched a product called QuickBooks..

But here's the great launch of QuickBooks.. We had half the features.. We left out the fancy stuff because we didn't get a chance to get it built.. But we charged twice the price.. We charge \$99 bucks instead of \$39 or \$49.. So one could say we're only off by fourfold.. Then the marketing didn't work.. We ran the single worst add we've ever ran.. Two page ad, million circulation, four responses.. Four..

I'm convinced we ran just blank page with an 800 number you'd get more than four people to call.. No, the ad actively drove people away.. Then we had an unusual brand name no one had ever heard of.. We then found after we shipped the product, about three weeks in, we started getting phone calls.. And the phone calls kind of went like this-- you know, I've entered all my data of my business.. I've spent a few hours doing it.. And poof, it's all gone.. Yes, embedded in the database were some pointer flaws and the data would just suddenly randomly disappear.. Oh no.. Which caused our tech support lines-- we work really hard to give people great care when they call, because finance is scary..

You've got to help them.. Nobody could get through because everybody was calling.. So this was the great launch of QuickBooks.. So the engineering team got on it.. They found the problem and they could get through it and they developed a script for an hour phone call, you could talk the user through a way to get their data back.. But the flaws were in the database.. So they released some subsequent versions that fixed it.. We cut all the advertising.. Wasn't working any way.. We doubled the size of the tech support department in a week..

It wasn't hard.. You only had to train them on one question-- where the bleep is my data? So that was the brilliant launch of QuickBooks.. Now what happened? There was a universal market share reporting service that tracked the sales of all software so we could see monthly the market shares.. By the end of month two that it was on the market, QuickBooks was the number one best selling accounting software in the country.. And it's never been less than that.. It has about a 94 share today.. Even though the marketing was a failure, massive bug problems, customer service went into the tank.. It turns out that we had accidentally by savoring that surprise discovered the number one pain point and problem and we'd solved it.. There was no accounting.. We advertised it as the alternative to accounting software..

And there was the first accounting software with no accounting in it.. And it became the market leader in two months and has created a huge business now.. Close to half our company is QuickBooks and the business products around it.. We never intended that.. It was a total surprise.. So savor surprises.. When a surprise happens, it just could be bad luck.. But it also could be the market speaking to you, telling you something you don't know.. By the way, that's the way Paypal got to be a big business.. They built it to do x, and then somebody-- the business was failing..

And I was on the eBay and Paypal board until recently.. And then some woman called up and emailed them saying we want to use your PayPal logo in our eBay auction.. The company, PayPal, debated.. Well, should we allow that or not? And I've actually talked to a guy who argued, no, we shouldn't.. The rest of the business is failing, but that's not our business.. Well, they relented.. They allowed her to put the PayPal logo in her auction.. And Paypal exploded as the payment system for eBay and became huge, so big, that eBay tried to compete against them, couldn't, and we had buy Paypal for a billion and a half.. All because of a surprise.. So this concept of surprises happens and happens..

So that's the thing I wish I'd learned early, was to look for those.. At the outset what was the concept of success and have we achieved it? Gosh, the biggest software company in the PC space we knew of had 160 employees, a company called VisaCorp.. May God rest their soul.. And to me, 160 people immense.. God, we'll never get that big.. They're the behemoth.. So success, gosh, if we could get-- all I wanted was I thought there was a problem that we'd figured out the way to solve.. I just wanted people to adopt it.. I just wanted to solve this problem in people's life.. That was the goal..

Size was not the issue.. It's just there's something wrong.. They're buying this other software that makes the problem worse.. Even in the dark days when we had no money, what kept us going was this knowledge that we had the solution and the other guys were selling crap that made it worse.. So that part-- and now what's happened-- so what's the next challenge? Is there anything more? So that's kind of our mantra is find the biggest, most painful problem you can find that we can solve.. And that's what kind of drives us.. So we're big in the tax business.. Who here used TurboTax? Raise your hand if you use TurboTax? Few people.. Good.. Thank you..

So we do about 30 million tax returns with TurboTax and then we do the software for tax repairs that does about another 30.. Taxes is-- it's something like accounting.. Nobody likes to do taxes.. It can take you a half hour.. It can take you an hour.. If your taxes are complicated like Tina's, it could take a long time.. And going through an interview and software asks all these questions in regular English.. And then behind the scenes, we fill out all the tax forms for you.. And then e-file it with the government and speed your refund to you.. Get you your refund the fastest way..

And for years-- and we're the leader in the business.. We have a 60, 65, 70 share of computerized tax preparation done by

individuals.. And we got into a mode of just incrementally improving that interview every year.. Just make the interview a little bit better.. And then we did a leadership change.. We moved people around and we promoted a guy into that job as the general manager of the TurboTax business.. And went and he talked to customers and he talked to employees and he came out saying, we could just keep improving the interview.. Or we could realize that our customers don't want the interview.. They don't like using our product.. And they don't want less of a bad thing..

So if we make the interview better, it's just less of a bad thing.. Why can't we eliminate the whole thing? He said let's make our goal to make tax prep obsolete and replace it with a focus on how do we get the most money? Because what people do want is money.. The biggest reason that most people file taxes is you get the refund.. So he said let's focus on getting people more money and let's make tax prep disappear.. Well, this was beyond anyone's expectations.. But he was going right to the heart of what the two big problems are-- people want more money and they don't want to do taxes.. So we're making real progress on that.. We've only been on this for 2 and 1/2 years, but we've now cranked up a huge effort to get the data that goes into the tax product-- the 1099s, W2s, stuff from your broker, all that from your bank-- and get that in electronically so you don't have to type it in.. And we've rebuilt-- and this'll be a 10 year effort.. It's going to take us 10 years to get all that data from all the sources out there..

And then we've rebuilt the tax engine so it can work data first.. When the data comes in, not from you, but electronically, then we can eliminate wholesale all the questions we don't need to tell you.. And we've even tested now with some people with simple returns where there taxes are done and we watch how long it takes them-- real people, real taxes-- and some of them have been done in four minutes.. Four minutes.. On your phone.. On a phone.. Now we're working on the more money side.. In addition to getting you the biggest refund, he chartered a team.. He does a bunch of this through what he calls discovery teams.. Generally teams with three people-- a hacker, a hustler, and a dreamer..

Engineer, product manager, designer, or sometimes a data person.. And he took one of these three teams and said find how to get our customers more money.. Not from taxes, but from any other source.. They came up with 19 ideas.. They were free to do whatever they wanted.. And then they narrowed down to two and he helped them narrow down to one.. And so this past year when you finish working with TurboTax, we ask do you want to have us check to see if you deserve any government benefits that you might have earned.. And a whole bunch of people check the box yes.. We take their tax data, we ask them a few more questions and then we run that against the criteria for the seven largest government benefit programs in the United States.. There are 1,500 in total..

We do it against the top seven.. And we're finding the average person who checks the box and keeps going through this an average of \$1,600 of extra money from food stamps, from the free phone, the government will give you a free cellphone, they'll give you free cell service.. Utility.. They'll subsidize your utilities.. There's a bunch of programs.. A myriad of programs.. Most people it's so hard and confusing and trying to sign up with government agencies is a pain, so a lot of people just miss them.. Now we're working on-- now to get those government benefits, you then have to go back and work with the government and sometimes appear at government offices.. That's a pain.. So we're now working trying to automate the application process..

So from within TurboTax, you can just push a button and say, yes, apply for me.. So what I've found on this one is when your focus is to solve problems, find the biggest, hairiest problems you could find, some of those problems are social problems.. And the way to attack big social problems is not with some little CSR thing at the corner of your company.. Big social problems are hard to change.. That's the reason they have remained.. The high inertia.. Difficult problems.. So you need the full power of your company.. You need to get right in your power.. What can you do to solve biggest social problems out there? And so getting people the money-- a leg up from the money they've earned is one that we're tackling now..

It's free.. We don't charge anybody for that.. And you can go online and get it for free.. But if we become known as a place that gets you more money and you don't have to do the work, then we're going to do really well in our main business.. That's kind of how we set goals.. This thing called the grand challenge.. This make taxes obsolete is a great example of a grand challenge.. Find people a lot more money from something other than taxes.. There's another example of grand challenge.. That's kind of how we set the goals that motivate the organization..

And that's also about how we-- there's another piece that add to fostering counterculture.. When you get a grand challenge like that, then people come up with wildly different ideas on how to achieve it, ideas that most people would say are borderline impossible.. So then what we do is let people run experiments.. Because in a company where you have to get everything approved, then only the people who are most persuasive or have the most tenure or the highest ranking title will get their ideas approved.. In a company where you run on experiments and decisions made by experiment and you make it really easy for people to run experiments on their idea, then the idea that will get approved is the idea that has an experiment proving it worked.. Now I didn't invent this.. I first observed this at Toyota where I went over and visited Toyota plants with professors who've studied them.. And they explained to me that you have to understand that the company runs on a nested series of experiments at all levels.. And they described one experiment that was on the line and they were running-- trying to change the production process in two-- with an experiment in two different ideas.. One idea was the plant managers idea-- the boss..

The other idea was from a supervisor who manages a team of eight people.. Now in a US auto plant or a German auto plant, it would've been the boss's idea and they wouldn't run the experiment.. But in Toyota, they ran both experiments to see which would win.. So I've kind of come to a point of view that leaders need to have a few key roles in innovation.. One is to declare the grand challenge.. What is that world changing problem you're going to try to solve? And two, set up a system for people to run experiments so that new employees can run experiments.. And try their ideas out and make it fast and cheap so the company runs a lot of them.. Google in search runs something like 3,000 or 5,000 experiments a year in search.. Then savor the surprises.. Because in those experiments, you get surprises..

A bunch of them don't work like you think.. Every one that doesn't work is an opportunity for learning.. There's something you didn't know when you performed that experiment and set your hypothesis.. And the experiment is telling you, you didn't know.. Now figure it out.. And the fourth thing for the leader is live by those same rules yourself.. So that your ideas, unless it's a company emergency or something, but in normal business, your ideas have to be tested as well, just like that Toyota plant where the boss's idea was subject to the same test as the idea from the line supervisor.. So I think those are my ideas on how to foster counterculture.. How are we doing on time? Good.. Let's do some different ones..

Two favorite books on business.. One would be The Lean Startup by Eric Reese.. He'd also fit in one definition of a hero for me from whom I've learned a lot.. What would be a second? The second business book would be something-- it's mundane but so practical.. It's called Getting Real.. It's a book written by a company.. I see couple people nodding.. One thing I like about it is every chapter is no longer than a page and a half and I kind of like chapters like that.. But it's a really good step by step Bible on how to build a modern software problem.. So those would be the two books for entrepreneurs, those would be my pick..

Non-business book-- hm.. There's a book on-- I don't want to be too guilty of playing up to Tina, so let me find one.. You've probably all heard about hers anyways.. There's a book on habit change.. It's a yellow book.. I forget the author.. Power of Habit.. Power of Habit.. That or some of the stuff by Dan Ariely, which maybe is business, maybe not.. I don't know..

Here's a good one-- Dataclysm.. Like cataclysm, but with a D.. It's written by the chief data scientist at one of the dating sites.. Fascinating insights on human nature coming from the analysis of data on dating sites and others.. So that's a fun read.. And the guy can write.. Oh gosh, can he write.. So what did I learn Bain for Intuit? You know, the stuff I really learned was the stuff I learned at P&G.. And Bain, I learned how to slide presentations, which I'm now trying to eliminate them company.. At Bain you learn a lot about the applied economics, but you don't learn to do anything because you're not..

You're a consultant.. It's a fun life, but I learned to do stuff at P&G or in a real company.. .. And that's what I used to start Intuit.. Monopoly-- oh, I wish.. We've got tough competitors in all of our businesses.. And they keep moving fast.. Our growth in some of our businesses has slipped to rather low rates.. When we were just incrementally changing the interview, our tax business slowed way down and the competitors did better.. So fears-- that came up a couple times..

Fears.. I mean, there's the easy answer which is, gosh, I always worry about competition.. And it's not just the people in the business.. It's the people who are going to enter the business but haven't yet.. The new thing that comes around the corner.. And the market is so much more fluid and easy for people to enter in a major way when venture capital is almost free and lots of money can be spent by unprofitable companies.. It just lubricates so many new competitors coming.. So that's the easy answer.. I think the real fear, the thing that keeps me up at night, is are we moving our culture to be as limber and agile as we need to be in the world.. Are we getting as good at experimentation as we need to be fast enough? Are we staying as close to customers so we're really understanding the problem? What's the big important problem? And I don't think we are good at that..

Some people say we're better than others, but I don't think we're good enough.. Not nearly as we need to be.. So in fact on Monday, we take our entire top management team, two dozen people, all the top leaders, and we're going to go and visit customers.. We're going to sit in their offices and homes and watch them work.. We're going to get them on phones and interview them.. So we've got several massive numbers and people in teams of two and they're driving out, because we're exploring an area that's rooted in and around what we do that we've not made progress in.. And we're going to understand why by starting with the customer up front.. And then we're going to come back.. We're going to basically do customers interviews all day-- all morning, rather-- and then at lunch I'm going to lead them up at a whiteboard saying, what are we hearing? What was surprising? What was unexpected? What was the pain? Where were problems? What did people say about that? What did you see? What did you observe that the person didn't even mention? And then we're going to try to figure out from that how to find the problems in an area where we should be making better progress.. And we're doing that not just to figure out this problem..

We're primarily doing it to give our executives practice in doing this.. So they can go teach their people.. So they can teach by having done it.. It's kind of hard to teach what you don't know.. And I don't think we spend enough time with customers at the senior level.. So that's what worries me is are we changing inside as a company to become as lean and agile and allow the big ideas to be found and flourish.. Now let me do a time check.. It's about 18 after.. Oh, it's right up there.. Well, that's interesting to read..

Good.. So that says I either have five hours left-- 10 minutes.. 10 minutes.. Good.. Let me do this.. Let's open up to additional questions.. You've heard a lot.. Let's get some new material.. Yes, sir? How do you motivate and attract talent when you were small? Oh, how did we, when we were small, motivate and attract talent? Gosh.. We didn't have any of the good stuff..

We didn't pay much money and it was all the idea.. It was here's this pain point.. It's the customer problem.. We're going to solve this customer problem.. Here's the problem.. You probably feel it in your life.. Join the team that's going to solve this problem.. That was two good things.. One, we had nothing else to sell.. We didn't have venture capital funding or anything like that..

But the other thing is means what we attracted were people really motivated by solving a customer problem.. And so that became part of the DNA of the firm.. Yes? The one on the right.. How do you approach political lobbying from both the business and the ethical perspective? Yeah.. How do we approach political lobbying from a business and ethical perspective? Yeah.. We do.. I'd say we don't do much.. But there's one issue where there's a lot of confusion.. So we try hard to help the legislative staffs of the legislatures hear the other side of the story.. And because they hear-- when we go to a congressional hearing, and I've attended a few-- I've never testified in front of Congress, but I've attended a few hearings..

It is amazing how hard it is for a legislator to do their jobs.. So it could be a committee hearing on banking regulation having to do with options trading or something.. And you've got these legislators up there who are lawyers.. They have no clue.. They're being passed sheets of questions to ask by their staff.. And then you see the people who testify literally lying through their teeth.. They're defending some industry practice that they have.. And one person will say that fish fly.. And the next one will say that fish swim.. They have people saying the exact opposite from person to person as the various witnesses come up..

What's the poor legislator to believe? So it's really hard.. And then they move in that hearing to one on welfare policy.. And then they move to that one on traffic safety.. And with no time to prep.. They're just going right into the next one after doing stock options trading, they go right into traffic safety.. And then they do another hearing on medical research.. It's tough for these guys.. So you've got to help them.. You've got to help them with the facts.. Their staffs are tiny, particularly in Congress..

They don't have the resources to research all this stuff.. How would the staff people know? A lot of them are just recently graduated from college and don't have any expert on medical research or traffic safety.. So they depend on people who give them information.. And those are lobbyists.. And so the particular issue that we spend time on is we're big believers in electronic government.. Government should go electronic, except in enforcement functions.. So there are people who want the government to do taxes, to basically do what we do.. And the system has some appeal.. The government would collect all this data that they don't actually have.. But in theory, they could somehow collect data on your income, your deductions, whether you paid somebody for child care..

They have to collect data on your student tuition.. And then they would do your taxes for you and just send you a bill saying here's how much you owe.. Send it in.. So that sounds really attractive on the surface.. And that's basically what we were trying to build, is to collect all that data so when you arrive we can just tell you what your refund is going to be.. That's good for us to do because we're not the enforcer.. The laws are enforced by the federal government.. And so our system works where people report all their income.. And out of the fear that if they don't report it, they will have a jail term.. So what happens when somebody knows that the government can't find the income you've got, that the government doesn't know about it..

So think waiters and tips.. What percentage of tip income gets reported? That waiters receive as tips? Optimist.. Somebody said half.. Optimist.. It probably rounds to zero.. When somebody knows the government doesn't know, then they don't report the income.. So when the government sends you a tax bill, they send you the calculation.. They send you all the data they have.. You now know what they don't know.. You now know..

So the police should never advertise which blocks they're going to patrol and which blocks they're not going to patrol.. And so this system is the equivalent of the police announcing what neighborhoods they're not patrolling.. And that's why it's bad policy.. So we just want to help people understand that part of it.. Because there are other folks, namely the tax administrators, like doing this.. Because it means a bigger staff for them in the government.. They get a bigger budget.. And bureaucrats are driven to large budgets and large staff.. It's what you do as a bureaucrat.. I'd do the same if I were there, I guess..

So we're trying to bring the other side of an issue that may not be spelled out by the governments.. So that's the issue we work on.. More questions.. Yes? I started using Quicken in 1995.. Thank you.. But I kind of felt like I wasn't listened to, because it was all optimized for the English-speaking or the US market of the UK market.. Was this a lack of ambition you didn't go beyond the-- So he says he used Quicken starting in-- which country were you in? At that time, Sweden, Germany.. In Sweden and Germany.. You bought Quicken then, but it was so optimized for the US/UK markets that he stopped using it.. That's been a real struggle for us..

That's been really hard.. Just by bad luck, I guess, our kind of product category is about the most cultural, has about the most cultural content, of any software category out there.. So if you buy a spreadsheet, it pretty much operates the same anywhere in the world in any culture.. You change the language and the dollar symbol.. You buy word processor, it pretty much works the same in any country that uses the same character set.. You buy Norton Utilities, and it works the same regardless of country.. The habits in one country are totally different from another.. In Germany, they pay bills with UberVizon.. Works totally different than checks.. Totally don't understand it..

And just the habits are so different.. And we did not-- and I still don't think we've really mastered those differences.. The product has to be so dramatically different in design.. So we did expand to about 17 countries.. And we pulled it almost all back.. Because ultimately, you've got to be right for the person in their country.. So we're trying again in small business with QuickBooks.. And it's really hard.. We've had to delay our live to site for QuickBooks online in France.. We're on the third delay now because we didn't get it right enough..

There's things we have to change-- core, more foundationally-- than we knew.. So yeah, you've probably found our worst chapter is expanding beyond the tight English commonwealth.. We're doing very well, we're growing very rapidly in Australia now.. We're growing rapidly in the UK.. We've been doing well in Canada for years.. But, boy, outside of that, it's really tough.. And even in those countries, I don't think we're as local as we should be.. As locally native.. But we're working on it.. Yes..

In back.. So there's a lot of controversy around entitlement programs.. And it sounds like you're starting to dip your hands into that to get your customers more money.. Has there been a backlash or any kind of political anything that you've been dealing with? Yeah.. Yeah, we have had some backlash from some states on our program to get people more government benefits.. There have been two sources for that.. The first is a source that we earned and deserve.. Our system didn't integrate with the states very well, so we dumped on the states a bunch of applications that were partially filled in.. We didn't do a good job looking at it from the states standpoint.. So we've now been all over that..

We have a person who just travels from state to state talking about what we're doing and all that.. And we're on the road to fix that, because that's our fault.. And that was the biggest problem.. Then separately there are some small states-- or some states, a small number, Texas would be one-- that just is morally opposed to giving people benefits.. So they don't want any expansion.. But that's not true.. Most states want people to get the benefits.. So I think we're in good shape there.. Let me add, because we only have a couple minutes, let me add-- maybe there is a question about heroes, learning, lessons.. There is another thing that I wish I'd learned early on..

Not in 1983, but soon thereafter.. The company grew and we were really growing fast.. and the company got big.. And I began to see my skills-- maybe I wasn't growing as fast as the company was.. And I could see things I didn't like to do or were lousy at were starting to hold the company back, particularly when we got to about 500 employees.. I wasn't growing as the company was growing, personally.. And so I made the decision after 11 years as CEO that I should hire a CEO who had the skills I didn't.. Because I felt I was holding the company back.. And after all those struggles and pains, I didn't want to be the guy hurting us.. So we hired a guy..

Great guy.. Bill Campbell.. Some of you have seen him.. He and I have the same values but we're totally opposite, how we work.. Great complements to each other.. And that solved that problem for a while.. But I still look back and say in a sense, I failed.. The company succeeded marvelously, but I kind of failed at being able to keep growing with the company.. And I failed myself.. And about nine years ago, I noticed we'd hired an executive coach for some of our execs..

And the coach would go out and interview a bunch of the co-workers of an exec and get the skivvy.. And then tell the exec, hey, here's what people you work with-- your colleagues, your direct reports-- here's what they're saying.. Here's what you're awesome at.. And here's what you've got to change.. And I looked at him to do that.. And I said, boy, you know, I'm the only guy here that doesn't get a performance review.. I might benefit from that.. So I had him do it for me.. And he came in and gave me the-- all anonymized, so I could never hear who said what.. I didn't really care who said what..

I wanted to know what they said about me.. And there were some things I did well.. But, oh, the other list.. Oh, god.. There was stuff I was really screwing up on.. Badly.. Painful.. Demotivating teams, getting in the way of progress, causing people to cycle, distracting teams, not helping them focus.. Oh, there were some bad stuff.. Some of this I had no idea..

Others, I was dimly aware of, but I was shying away from looking because it was painful.. But now with him, it's like the results of an experiment.. You can deny the experiment, but the data sits there.. And I couldn't deny what he was saying.. So I went on a tear saying, I got to fix this.. I got to change.. And so I've been working with him since.. And together we've worked on some-- and I've made giant progress.. It's like the best thing in the last nine years.. So my advice is the most important thing in the world to change is yourself..

View yourself as a canvas for change.. Because you leave here with one set of skills and a lot to learning and a lot of that.. But no one's got a full deck coming out of here.. Even if-- and I was running a very successful company at that point-- I had a lot I needed to change and grow.. And because I didn't have a coach, I didn't improve.. So get a coach.. Find somebody who

will tell you the truth about your performance and then kind of beat on you to change.. Get a coach.. All great athletes have a coach, no matter how talented they are.. Whether it's Tiger Woods or the best quarterbacks, they've got a coach..

And if they need a coach, what about us regular people? So that would be my one piece of feedback.. Most important thing to change is yourself and get a coach.. And best of luck...