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Ten Reasons CPA Firm New Products Fail

by

W. Thomas Nelson, Jr.
President & Chief Executive Officer

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Successfully launching a new product is not easy - in any industry or professional vertical. Historically, 90%+ of new product launches either fail completely or fall well short of expectations. And this includes comparatively easier extensions of existing products – something sponsoring companies already know a lot about - much less paradigm-breaking, new marketing-making, Steve Jobs-at-Apple-type innovation.

There are no established new product success/failure rates for large and mid-sized CPA firms (most failed products die quiet deaths internally and are rarely reported on externally). But, my educated guess, based on 20+ years of investigating growth and innovation performance inside CPA firms, is that the rate is about the same as in other fields. In other words: a successful CPA firm new product is a rarity, a <10% event, an exception to the rule of otherwise miserably poor innovation performance.

This raises an important question: with innovation positioned inside many CPA firms as a strategic driver of growth and advancement, at least in theory, why is it so difficult for firms to achieve new product success in day-to-day practice?

Lodestar's investigative work over the years around this question has revealed a consistent set of ten key reasons why so many new product offerings fail.

1. No Clear Marketplace Need/Prospective Buyer

For a variety of reasons, new product champions inside CPA firms sometimes fall in love with a new product idea. They then proceed through an entire R&D process up to the moment of launch without ever having confirmed, other than perhaps anecdotally, that a need or use for the product actually exists in the marketplace.

Usually in this situation, there are a couple of other very important companion questions that go unanswered or only partially addressed. First, who – exactly – is going to buy the product? Second, how – exactly – will buyers put the new product to use inside their businesses?

These seem like obvious, day-one-in-the-innovation-process questions, but they represent a critical new product R&D corner that gets cut all too often. When it does, bad outcomes usually result. Just before launch, the firm may realize important homework has gone undone and the product then gets pulled, with the investment in R&D time, talent, and dollars going down the drain. Or, a desperate effort is launched to find a market/buyer - the classic "solution in search of a problem" innovation management phenomenon. Or, worse case, the product gets launched anyway, where it runs a real risk of being met with a collective yawn in the marketplace.

Lesson: From day one, any new product R&D effort should be firmly anchored in evidence from the firm's clients and prospects that an unmet need exists and that some part(s) of the marketplace will buy a solution to address it. Otherwise, find a different new product idea to invest in.

2. Insufficient/Non-existent Market Landscape Assessment

Even a few hours of desktop research will give a new product team a good idea of whether someone else (a competitor or supplier to the profession) has had the same idea, whether similar products are already in the marketplace or coming soon. If this is the case, the next question is whether the team's product idea appears to possess critical competitive differentiation or is more likely to be merely a "me too" offering. (In many R&D efforts, particularly as the "bet" the firm is making in terms of time and resources grows larger, considerably more than just a few hours of investigative work is warranted.)

Market landscape assessment is basic innovation due diligence and "blocking and tackling". Yet, in many failed new product autopsies we perform, it is another frequently observed cut corner. Far too many new products are invested in and sent onto already crowded playing fields never having had a reasonable chance for success. This is a 100% avoidable form of failure.

Lesson: Do your homework. Understand the market landscape your new product will compete in before and as you invest in R&D, not afterward, if ever. If you can't see a reasonably clear pathway for your product's success vis-a-vis the competition, there probably isn't one. Find a different new product idea to invest in.

3. Little or No Client Involvement

In too many CPA firms, new product R&D is treated like a secret mission or black ops undertaking. In these instances, the first time clients and prospects see the new offering is the point at which it is sprung on the market. That is frequently the point at which bad news starts to roll in.

Firms further up the innovation maturity curve understand that there are compelling reasons to take the dark curtains off their R&D laboratory windows and to get their clients involved in the process. Here are a few:

- It helps validate that a need for the product exists in the marketplace – your clients will tell you immediately if it doesn't.

- It sheds light on exactly how end users will use the product – which in turn helps better inform decision-making around product features and functionality.
- Clients can offer invaluable feedback on what they like, what they don't like, what can make the product even better, etc.
- The firm can begin early on to capture customers' perceptions of the new product's value - how/where will it make a difference? These insights can help inform pricing decisions, go to market messaging, and related matters.

Lesson: If your firm is going to invest in bringing a new product to the marketplace, get the eventual end-users involved in the R&D process early and often. Your chances for eventual success will improve exponentially.

4. Little or No Partner/Associate Involvement; Lack of Internal New Product Marketing

There are several facets to this commonly observed contributor to new product failure. First, just as new products are sometimes sprung on clients with little or no prior warning or involvement, so some firms tend to keep new product initiatives under wraps internally, springing the new offering on most partners and associates at the last moment, usually at the point of launch.

Firms with better new product success records know that there are good reasons to get partners and associates widely involved early and frequently throughout the R&D process. For example:

- Different points of view, coming from various functional, LOB, and geographic areas across the firm strengthen the R&D process and the resulting new product.
- The old organizational development adage is apt here*: people support what they help create*. If partners and associates are not aware of a new product initiative, much less involved in it, the product – and it's eventual success or failure – tends to become someone else's problem, not theirs. Conversely, broad-based participation in R&D tends to build awareness, buy-in, commitment, and buzz – always good things to see in a firm-wide innovation effort.
- Involvement early on gets everyone thinking about how success can best be achieved. Partners start thinking about how they can best sell the product and to which clients. Marketers start thinking about the best messaging to the marketplace, marketing collateral, etc. IT, administrative services, and other functional areas start thinking about how and where they can best contribute to success.

Second, to begin to build this kind of firm-wide involvement, new product champions or teams need to think about *internal* marketing firm-wide, not just external marketing to prospective users. Initial awareness of the new product needs to be built through ongoing communications. Partners and associates need to understand why the product makes sense from the firm's perspective; why it makes sense for clients; what is unique or compelling about the product; the "case" for its success in the marketplace; and, related matters

Lesson: Eventual new product success in the marketplace starts with success in internal firm communication and partner/associate awareness-building, R&D involvement, and buy-in and ownership creation.

5. Lack of Senior Firm Management Engagement

In 2014 our firm conducted the first representative assessment of innovation culture, orientation, and performance inside Fortune 1000 firms, as reported by those firms' employees and managers. One of the key takeaways from that study was that many times senior management, rather than championing and leading their companies' innovation efforts, actually undermine new product success performance through a variety of inappropriate behaviors and non-behaviors.

For example, we regularly hear comments such as the following in the course of our failed product debriefs with innovation champions and teams:

"Senior leadership never had our back on this – they talk innovation all the time, but they didn't walk their talk on this effort."

"They approved the initial R&D funding, but then went radio-silent on us."

"Our ExCom didn't seem to care one way or another how things worked out."

"We never got buy-in from the partners – and that's because our CEO did not demand their involvement or demonstrate his own, really."

"Micro-management, second guessing, hand wringing, pennywise but pound foolish in the marketing dollars we needed – senior management made it ten times harder than it needed to be."

"We are eager for growth through innovation, but investments in capacity-building – technology, training, collaboration tools, rewards and recognition – have just not been made. In retrospect, this project was doomed the day we started it."

Lesson: CPA firm new product success requires leadership, engagement, and encouragement from the top. Senior leadership can't have it both ways – talk innovation as a strategic driver of firm growth, but then remain above the fray of new product initiatives, or worse, get involved, but then act in ways that undermine success.

6. Winging It On Product Pricing

Getting the pricing right on a new product is critical to its eventual success or failure. Set the price too high and sales will suffer (or fail completely). Set the price too low and the firm needlessly leaves money on the table.

Effective pricing is a science and an art and both need to be practiced meticulously to give a new product its best possible chance for success. And price is rarely an independent or standalone consideration. Rather, it typically must be set in connection with various potential bundles of features and benefits a new product might offer. As R&D investments grow larger, smart firms get outside professional help using advanced quantitative decision modeling tools (conjoint, discrete choice modeling, etc.) to help address this thorny set of questions.

Unfortunately, too many firms largely or completely cut the pricing corner. We regularly see pricing set by product champion whim, uninformed senior management mandate, or scant anecdotal evidence. Asking a couple of clients over 19th hole drinks what they might pay for a new product does not constitute a serious pricing investigation.

With rare exceptions, CPA firms only get one chance to get new product pricing right. If you have overpriced, you can try re-pricing downward, but not without raising questions in the minds of your clients and looking clueless, clumsy, or incompetent. Worse, if you have underpriced the product, good luck explaining to clients why you suddenly need to move to a new higher level.

Lesson: If your firm is going to enjoy success in the new product innovation, it either needs to build serious internal pricing research capabilities or retain the services of outside professionals for this critical piece of the puzzle.

7. Weak (or Non-existent) Go-To-Market Strategy & Tools

Some firms become so focused on new product R&D that that they overlook the second half of successfully getting a new product launched – actually getting it into the marketplace – either entirely or until the very last minute.

This inattention takes many forms, frequently in combination. For example:

- No work has been done on marketing messaging.
- Sales and marketing collateral have not been developed or are thrown together at the last minute.
- Website support for the product is not in place.
- Social media strategy is not in place.
- No serious thought has been given to the product's verbal and visual identity.

- (As discussed earlier) serious attention has not been given to pricing.
- No work has been done on how the new product aligns (or should align) with the firm's other products and services, whether it can or should be bundled with some of them, perhaps as opposed to being a standalone offering, and related matters.
- Partners and other sales associates have not received sales training.

At a minimum, not having a well-developed and comprehensive go-to-market strategy under parallel development with the R&D process relegates the new product to an otherwise unnecessarily slow or gradual launch (while the firm scurries around playing marketing strategy catch-up). Worse case, it dooms the product to greatly diminished success or even an early death.

Lesson: Innovation success is not just about building a product, but equally about getting that product into the marketplace with the best possible chance for success. If you are going to invest in a new product initiative, get serious from day one about how – exactly – you want to propel into the marketplace and into the arms of your clients.

8. New Product Development Is An "After Billable Hours" Endeavor

In one critical aspect of innovation management, many CPA firms we observe want their cake and eat it as well. They want their best and brightest partners and associates fully billable, engaged with clients, selling, and doing other things to advance the firm, but also rely on them to create compelling new products and successfully bring them to market. As a result, this latter work gets done late at night, on weekends, and over holidays – when people are tired and otherwise not optimally focused.

This phenomenon creates several issues:

- New product R&D cycle times take longer than otherwise needed.
- A firm's best people are not able to do their best work.
- Fewer people – not more – get involved and stay engaged.
- Important innovation corners get cut, avoidable mistakes get made – there just is not enough time to do the job as it deserves to be done.
- Many new product initiatives get abandoned in mid-course.
- Worse, exhausted product champions "give up" and half-baked product goes out the door.

Lesson: If a new product initiative is important enough for your firm to invest in it, cut your product champion and team members some slack in terms of workload expectations.

More broadly, if innovation is to become a strategic driver of ongoing firm growth, a more formal innovation culture-building effort needs to take place. And a core element of that transformation involves establishing systems, procedures, and values that recognize partner/associates involvement in new product initiatives as being equally important to long-term firm success as more traditional roles and responsibilities.

9. No Shared Learning From Previous Innovation Efforts/Lack Of Training/Expertise In New Product Champions and Teams

Two related issues here. First, today's large and mid-sized CPA firms are complex organizations. Effective communications, shared learning, and related matters are an ever-present challenge. But when it comes to new product R&D, we continue to see firms that just don't seem to have "learned" from prior innovation initiatives – whether those were successes, failures, or something in between. The same mistakes continue to be made. The firm's innovation game does not seem to improve over time.

There are a number of contributing factors. Many times new product initiatives are "owned" deep inside as single area of the firm. Important "lessons learned" do not just "naturally" make their way across the firm, to other functional areas, LOBs, and geographies. Most firms do not have a Chief Learning Officer or someone similar to ensure that experience and knowledge is shared and acted on. Senior management teams do not insist on it.

Second, just as it takes training and experience to do tax and audit work well, new product R&D and go-to-market strategy execution require a particular skill set and expertise. Most partners and associates inside CPA firms have not had serious exposure to the latter in their academic careers or day-to-day work lives. And, most firms do not have a formal innovation management training process or prescribed new product development playbooks, although this is slowly changing. As a result, the majority of new product champions and teams we encounter are in the role for the first time and learning as they go.

These two phenomena – lack of innovation lessons learned and product champions/teams with inadequate training and direction - pose a double-whammy to the chances of success for many new products.

Lesson: If innovation is important to your firm's future, ensure that new product "lessons learned" are shared and that new product leaders are equipped with the skills and tools they need for success.

10. Premature Launch

We have already discussed the problems that can arise when new products are launched before go-to-market strategy and tools are in place, solid pricing work has been complete, and customers and partners/associates have been involved in the process.

But the other kind of innovation management misfire we frequently see is that the product itself is simply not ready for client use, but nonetheless goes out the door. For example:

- Key features and functions don't work - at all or reliably.
- Some promised and highly anticipated features and functions are "coming later" or, in a rush to get the product out the door, have been dropped altogether.
- Promise interconnectivity with other solutions and systems is still more a dream than a fact.
- Technical support for installation and initial use is not in place or is inadequate.

None of this is good for firm brand and reputation or for client relationships and goodwill. And, the ploy of labeling a product a "beta" after it has stumbled out of the gate never works.

Lesson: You only get one chance to get a product off to its best possible start. Do not pull the trigger until there is 100% confidence it will perform as billed. Ready – Aim – Fire. Any other sequence risks an immediate and very public embarrassment.

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Thinking carefully about these ten pitfalls and incorporating the lessons associated with each into your firm's future innovation efforts can greatly increase your chances for greater new product success going forward.

Next time we will discuss six strategic reasons - beyond the obvious loss of invested time, talent, and money - why CPA firms cannot afford new product failures.

About the Author

Dr. Tom Nelson is President & CEO at Lodestar Advisory Partners, a research and business intelligence firm that helps clients tackle complex problems, improve operating performance, plan for uncertain futures, and achieve sustainable growth. He can be reached at tom.nelson@lodestarap.com.

