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Six Reasons CPA Firms Can't Afford New Product Failures

by

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I have previously made the point that getting innovation right is not easy, in any industry or vertical, and certainly not for CPA firms. And we explored ten common reasons accounting/ professional services new products frequently fail completely or fall short of expectations[1].

Here I want to highlight a related issue. If your firm is going use innovation as a strategic platform for growth and advancement, it is imperative that your partners and associates learn how to consistently plan and deliver new products successfully. Beyond the obvious high cost of lost time, talent, and resources, there are other important reasons why you cannot afford new product failures. Consider these six:

1. A New Product is an Extension of Your Firm's Brand and Reputation

To a large extent your firm is what it does in the marketplace. Perception is reality for your clients, your prospects, and other industry observers. A new product extends your brand and is a manifestation of how your firm is fulfilling its brand promise. So a successful one can enhance your brand, establish competitive differentiation, demonstrate thought leadership, create a new revenue stream, lead to new clients, and do a host of other good things.

But a failed new product can produce equally potent adverse effects. It can diminish your brand. It can negatively alter perceptions of who the firm is, what it stands for, its capabilities, and its people. A failed new product represents a broken promise (your firm's) to the marketplace.

Innovation in the professional services context, therefore, is not risk-free. Every time you introduce a new product or service, you put your firm's identity, image, and reputation on the line. It is a bet you need to win each time.

2. A Failed New Product Can Undermine Client Confidence and Engagement

Your clients believe in your firm - your people, your capabilities, your expertise, etc. - otherwise they would not be doing business with you. A failed new product creates

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[1] See *Ten Reasons CPA Firm New Products Fail* at www.LodestarAP.com.

questions and undermines confidence, particularly among clients who have witnessed it first-hand.

Additionally, while a successful new product can add value to client relationships and deepen client engagement with the firm, a failed product can result in exactly opposite effects.

Finally, among any "at-risk" clients, an adverse new product can create all the impetus needed to send them into the arms of a competitor.

These are client relationship costs no firm can afford to absorb - or should have to.

3. You Only Get One Chance to Launch Successfully

In any industry or professional vertical, customers/clients will rarely give a failed new product a second chance. It is no different in professional services. There is no way to put the toothpaste back in the tube for another day.

Also, consider this: there really isn't any way to explain a product failure to the marketplace. Someone - or perhaps many partners and associates across the firm - will have to try, but it is never a pretty thing to watch. You built and launched it, you put your firm's name on it, and, for whatever reason(s), it failed.

And lobbying for another chance - *"We screwed it up, but we've fixed everything now"* or "*We learned from our past mistakes and now have a new and improved version*" - will usually only make things worse.

4. A New Product Failure Gives Your Competitors Ammunition and a Competitive Opening They Otherwise Would Never Have Had

Enough said.

5. New Product Failure Gives Innovation a Bad Name Inside the Firm

A failed product can cast doubt on other new product initiatives in the firm's pipeline—"S*hould we really being spending this kind of time and effort when our previous experience has ended so poorly?"* More broadly, it can call into question a firm's commitment to growth through innovation and its actual ability to innovate.

Product champions and teams can lose confidence in their R&D efforts. Partners and sales reps may think twice about putting the next new product in front of clients or hedge their bets and lessen their energy in doing so. The positive buzz typically generated firm-wide with new product launches can dissipate.

Remember the adage: Success has a hundred fathers; failure is always an orphan. A failed product can do damage to a firm's larger innovation investments in culture, employee engagement, and commitments, even its strategic direction.

These are internal costs no firm wants to risk having to pay.

6. A Failed New Product Undermines Your Firm's Larger Innovation Claims and Credibility

It is interesting as an outside industry observer to note how many large CPA firms today make claims not only about their own innovation efforts, but also about helping clients with *their* innovation efforts and helping to lead innovation across various industries and professional verticals. A great deal of these firm's strategic positioning and marketing messaging is anchored in their claimed innovation prowess (spend some time looking at a representative set of Top 25 firm websites and you will quickly see what I mean).

Yet, how can a client or prospect reconcile these larger claims by a firm if that firm itself experiences a failed new product launch? They can't. In fact the more likely response is going to be "*These guys can't even manage their own innovation efforts; they have no business presuming to tell me how to manage mine or our industry's."*

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CPA firms launching new products always focus on the upside - the hoped-for benefits and rewards of success. That's what helps justify the associated R&D and go-to-market investments. But there always is the risk of an equally powerful downside—a new product failure and severe costs to the firm that can arise from it.

If your firm is going to play the innovation card, it needs to learn to play it well—first time, every time.

About the Author

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