

NPD - little ideas grow into big fees

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Nothing ventured...

Firms of any size can embark upon a culture of New Product Development ('NPD'). This article aims to span the different ends of the NPD spectrum. It should be meaningful to firms that simply wish to ground ideas with a single brainstorming meeting, through to firms at the other end that seek to implement larger initiatives involving team members, think tanks and the intranet.

Again, size is not important and NPD is far from exclusive to the upper quartiles. Some of the smallest firms we have worked with have embellished their entrepreneurial spirit with a culture of innovative thinking and creative flair. These are the same firms that recognised that their divisions and practice areas needed to compete in the market in a different way.

They 'smelled the coffee' and saw the potential to capitalise on opportunities that were falling by the wayside. They realised that products and new ideas gave their fee earners subjects with an 'edge' to talk to selected clients. They made their fee earners appear innovative and forward thinking. Furthermore, these are the firms that spotted the ease with which generic products could transfer across industry sectors, and how greater 'selling confidence' was inspired among fee earners when talking frequently about a particular issue or solution for clients.

Nuts and bolts

New Product Development ("NPD") is accessible to many firms and in many cases operates within a virtual framework. When looking at NPD in its optimum performance, it comprises several key components:

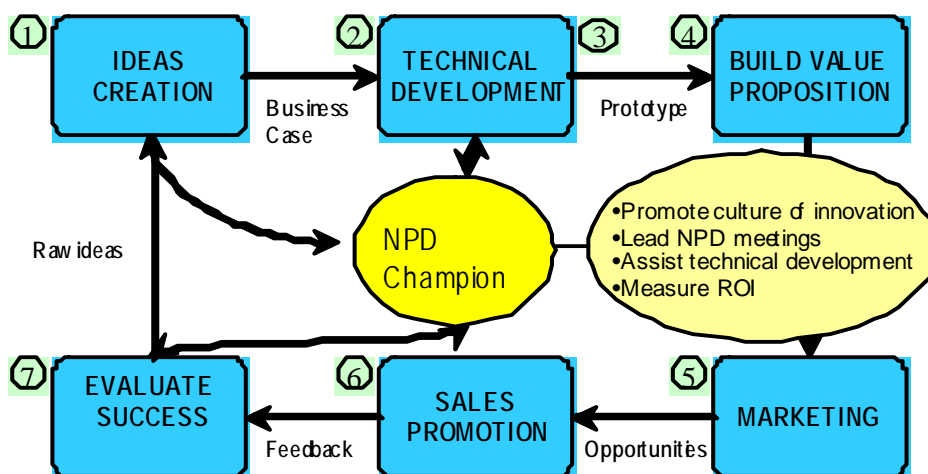
1. **A clearly defined method** which takes fee earners through the product development process
2. **Think tank members** from different parts of the firm who bring a blend of skills ranging from technical or creative through to selling or project management (also skunkworks)
3. **Supporting tools** that can be as simple as a flipchart or PowerPoint through to an intranet think tank, and
4. **Senior management commitment** towards funding that can be in the form of capital investment for the purchase of specific technology, or funding that can of course arise as the result of fee earners being excused from chargeable hours.

Key steps in the NPD method

Whatever the level of investment, one of the most important aspects of systematic NPD is the need for a clearly defined method that offers people ease of participation and clarity of expectations. Our study of firms mainly from the accounting, consulting and legal sectors showed that those that perform optimum levels of NPD have successfully implemented most of the points seen in figure 1 below – even if they did not formally recognise it in this way.

Figure 1

NPD framework



1. **Ideas creation** - Most firms already invest a lot of time and money in sharpening their fee earners' technical and even commercial abilities. There are regular technical meetings organised either by grade, practice area or sector. There are away days where more senior fee earners are drawn to more relaxed environments to induce focus and learning. Then, in addition, technical discussions are becoming central to many key account team meetings. However, whilst opportunities for technical thinking fill the daily workplace, few firms properly capitalise on technical discussions. Those that do, have applied simple techniques and the appropriate members of the NPD think tank (see next article) to their technical discussions.

In varying degrees, we know firms that have an 'ideas box' in the corridor; plenty circulate 'idea sharing' memos; some involve all grades with proposition building; several have think tanks and there are some who incentivise fee earners to post an idea onto an intranet think tank for it to be tested, judged and rewarded with a small gift. Whichever platform is used, however simple or complex, having a culture for innovative thinking is prerequisite for NPD. The irony is that many firms could just tweak their technical events to increase the focus on NPD.

2. **Testing ideas via a business case** - Following the creation of ideas, members of the NPD think tank should select and prioritise those ideas which satisfy key criteria. In most cases this involves a high-level technical feasibility test, plus a rough calculation for return on investment. Both form part of a mini business case often no more than a page in length. This outlines the product, giving an explanation of how it will work, potential market demand, why it will be successful and its potential weaknesses and barriers to entry. Market or client research at this stage may include a formal market survey or, more often, conversations with interested clients. One or two of these clients may remain involved with the development process as it progresses.

Also included in the business case are estimates on development cost covering technical time investment, further research, and any estimated costs for designing a marketing campaign and sales opportunity cost - again rough calculations. Overall this stage of the process could consume at least a half-day of two fee earners. This is off-putting to some firms, but of course is time well invested in terms of picking stars and rejecting losers.

3. **Technical development of ideas** - Following the initial creation of the idea and its subsequent mini business case, members of the think tank team prioritise ideas and begin to develop the technical features of the product. Products will of course vary in size and complexity, sometimes calling upon cross practice involvement where truly integrated products span more than one discipline. Similarly and especially in the field of tax, counsels opinion is often sought to assess how congenial an idea may appear to the tax authorities and whether it is sufficiently robust to defend itself from a subsequent attack.

The product continues to take shape and a clear understanding of how it will work in practice emerges throughout internal discussions with different fee earners casting an experienced eye, or external discussions with interested clients. In some cases, client involvement may progress to the point where the product is piloted with one or two of them. In return the product 'Champion' earns valuable feedback and the client gains new advice or services at heavily discounted rates, sometimes getting a step ahead of competitors in its marketplace.

4. **Developing the value proposition** - The original concept has now been proven economically viable, commercially attractive and of course technically feasible, and this stage focuses on preparing the product for market. Likely to be another area where BD managers bring real value, fee earners are helped with understanding how to sell the fledgling product.

Value Proposition Builders (VPB) are simple little 'tools' which are set out on one or two sides of A4. All relevant information is found in one place for the busy fee earner's ease of use (see figure 2). The VPB covers all kinds of information ranging from the product outline and client needs, through to questions to ask, the competitive landscape and the way in which the product generates value for the client. This is an invaluable stage of development and one which determines the success of future sales activity.

