By Suzanne Lowe Product manufacturers and tech companies have for years embraced the concept of rewarding employees who create marketable new products that help their outfits stay ahead of the competition. For professional-service firms, on the other hand, the concept of innovation is much less embraced. Yet, more than ever, it is critically important.

Imagine the reactions of lawyers, accountants, management consultants, IT consultants, engineers, or architects as their marketing teams present the stark reality: If they don't start to innovate their firm's service portfolio, they will be vying with a legion of lookalike competitors, the only notable distinction being their rock-bottom bids. Presented with that news, you would expect to see throats clearing and arms being crossed. Then, the audience would begin disputing the facts and bickering over how to react to them.

FASTEN YOUR SEATBELTS. The underlying theme here is denial and anxiety, which brings Steve Martin to mind. In the 1989 movie Parenthood, Martin's character, Gil Buckman, imagines taking a roller-coaster ride. He smiles through clenched teeth, since he doesn't like roller coasters one bit. The professional-service marketplace can be a roller-coaster, and most firms don't like it one bit either. When they hit those marketplace twists, turns, and plunges, professional firms compete defensively, tentatively, and, yes, anxiously.

Let's face it: most professionals focus on selling what their competitors sell. They avoid real innovation, sticking instead to the seemingly "safer ride" of supposed innovation through acquisition or step-improvements on existing products and services. This is competition by trying not to fail, instead of by trying to win. Think of it as Gil Buckman's hatred of roller-coasters, when he should have been savoring the joys and thrills of doing something new.

Fortunately, the above characterization doesn't fit all professional-service firms. Recent survey findings conducted by my outfit, Expertise Marketing, reveal that many firms do view innovation as an astute move. Some have invented new value-added services, and many have achieved favorable marketplace results simply by working toward innovating their portfolios.

REWARDING ORIGINALITY. Easy for some, but for other professional-service firms, embedding innovation into the fabric of the firm is a white-knuckle experience. Adopting that mentality underscores the acknowledgement that a firm's service portfolio has a finite shelf-life, that it is powerless to stop the inevitable march of commoditization, and, above all, that it will take responsibility for its own survival. It does, however, require leaders who are prepared to reorient the mindsets of the legions of Gil Buckmans, helping them make the transition from roller-coaster haters to roller-coaster enthusiasts -- participants who embrace the ups and downs
of the ride.

Can it be done? With incentives and rewards, definitely. Most professional-service firms already reward their people for a host of behaviors -- and reap the beneficial results. So, too, should they develop programs to motivate their professionals to innovate the firm's services. Research points to three reasons these firms haven't used incentives and rewards for innovation and to the prescription for each:

Incentives or bonuses generally are not structured to put a focus on innovation. Compensation practices at most professional service firms are largely focused on rewarding revenues related to rainmaking (selling the firm's services) or "billability" (performing the firm's services). Firms have begun to expand their rewards programs for qualitative behaviors like satisfying clients and managing client relationships. Astute professional service competitors go even further -- they incorporate incentives and rewards for innovation.

Incentives require the measurement of performance, and professional service firms don't "do" measurement well. Measurement means work, especially as the behavior being measured moves from easily quantified to the more subjective. Professional service firms simply must wrestle this beast to the ground.

First, they could start with a program that measures and rewards the "quality" of new ideas. The qualitative measurements could feature a series of subjective assessments of, say, the relative newness, uniqueness, or potential value of an idea. Other measures could include how much effort it would take to incorporate the new idea into the firm's everyday operations. For the next step, firms could begin to reward their practitioners for well-documented and vigorous "thought leadership."

Qualitative measurements could include the successful publication of a thought leader's work in respected journals or book publishers. Over time, this practitioner would be rewarded for publishing in increasingly rigorous, prestigious or broadly distributed publications. Another qualitative measurement could be the development of a clearly-documented methodology: How thoroughly was it supported by marketplace research? Did clients pilot-test this methodology? How did clients assess its short- and long-term value? The next step could be toward an incentive program for a team-driven new services development function qualitatively and quantitatively measured milestones that result in incentives and rewards for teams that conceive and launch new services into the marketplace. The bottom line is this: If innovation counts, it should be counted. And rewarded.

Few professional-service firms have created a defined R&D framework. Without a formal "managed innovation" process, it may be hard to reward for the desired behaviors that would fit within it. There are some professional service firms that have created a defined R&D framework.

Take the example of Deloitte's Innovation Zone, a coordinated program launched in 2001 to manage innovation from Deloitte's hundreds of thousands of employees worldwide. The programmatic elements included a mechanism to balance external insights and internal ideas; multifunctional resources to screen ideas, manage projects and launch new businesses; a formally defined process and technology; and internal practices that sustain the progress of innovation throughout the firm.

Deloitte also created an incentives-and-rewards program to encourage wider and wider participation. The program, which included elements of a frequent-flyer point system, was offered as a supplement to Deloitte's existing rewards program. It included a framework for an "idea competition," followed by a system to recognize both implemented ideas and those not adopted, and culminating in a group award and, ultimately, the grand prize of, say, an overseas trip.
Unfortunately, some firms believe innovation cannot be harnessed or managed. Without this infrastructure, their practice of rewarding innovation will mirror their internal situation: lightweight rewards for trivial innovations that occur only by happenstance. Trivial innovations, trivial rewards -- and so the cycle continues. A defined, well-supported and broadly communicated innovation machine, with clearly-defined analytics featuring predetermined quantitative and qualitative measurement points, can allow firms to reward for new services that increase value and competitive advantage. A formally managed new-service development function can also make incentives and rewards more easily observable, comprehensible, and internally desirable.

NOTHING TO FEAR. There is a fourth reason why professional-service firms may be less than assertive in encouraging innovation: Providing incentives and rewards, especially if they are structured to require a long-term innovation investment with an equally long-term ROI, means taking money out of the pockets of those who have it now -- ie., partners and senior decision makers. Providing incentives and rewards for innovation will require them to think less selfishly and will likely generate resistance from colleagues. It requires energy, professional passion and commitment to overcome the anxiety that contemplating change inevitably produces.

Which brings us back to Steve Martin's character, Gil Buckman. At the height of his fear-filled imaginary roller-coaster ride, he glances enviously at his fellow family members. As he watches them happily contemplate the ride's ups and downs, anxiety dissipates. He begins to see there is nothing to fear. This is life, with all its thrilling heights and steep plunges.

This is also the professional-service marketplace. Change is continually underway, the competitive landscape changes daily. A firm's survival requires the commitment to pursue service innovation, the leadership to create a distinct internal structure for it to thrive, and the rewards to bring it to fruition and sustain it. Guest columnist Suzanne Lowe is the president of Expertise Marketing and the author of Marketplace Masters: How Professional Service Firms Compete to Win

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