Suggestion Systems That Work

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The best suggestion system is no suggestion plan at all.

According to a report by the National Association of Suggestion Systems (NASS), Japanese workers average 24 suggestions per year compared to one suggestion every eight years for U.S. workers. How can U.S. companies tap this vast resource? Unfortunately many people are looking for a quick-fix suggestion plan which they can transplant into their organization.

Not everyone realizes that a suggestion plan is just the tip of the iceberg, and that its success depends entirely on the existing culture of the workplace. In the real world, a highly successful suggestion plan transplanted into the wrong culture will fail, and a failing system introduced into the right culture can succeed.

Traditional "black box" suggestion systems are notorious for killing ideas and employee enthusiasm. The best and most frequent suggestions come spontaneously and voluntarily from people who have a joint stake in the success of the organization and are committed to the organization's goals, without the encumbrance of a formal suggestion system.

Why Suggestion Systems Fail

Most people think of a suggestion system as a suggestion box and reward system to pay workers for money-saving ideas. While most systems fit such a scenario, this approach is the least effective approach to employee involvement because it has five shortcomings:

1. Undermining teamwork. World-Class Manufacturing is based on teamwork, but the suggestion system that pays off to individuals causes employees to jealously guard their ideas from peers, supervisors, and other staff personnel. Although discussing an idea with others could result in its refinement before submission, few are willing to risk having their ideas stolen.

2. Long delays. A Ford executive participating in a productivity workshop in February, 1992, described a suggestion plan in a Midwest auto assembly plant that required 243 days between suggestion and payoff, much of which was attributed to delays in signing checks by the finance department after the award had been approved! When

an idea is dropped in the suggestion box, it begins an uncertain, often circuitous and time-consuming journey. Typically it will go to industrial engineering, where it will be assigned to an engineer for evaluation. Because it is usually not seen as top priority, it ends up at the bottom of the in-basket. Sometimes an idea is referred to another department for evaluation, where it is subject to further delays. In practice, ideas sometimes get sidetracked, shelved, or lost, and never come back! Meanwhile impatient suggesters are not inclined to make further suggestions if pending ideas appear to be ignored.

3. Disappointing awards. Suggesters often anticipate higher awards than are actually received. Allegations are often heard that the company is reaping rich benefits at the expense of its employees. Assigning awards is sometimes complicated by the difficulty of assessing non-production suggestions such as those pertaining to health, safety and morale issues. Occasionally a suggester receives no award, either because the company chose not to implement an idea, or because it was initiated earlier by another suggester, or by the company itself. The net effect is resentment that migrates against further suggestions. Some suggestions don't pay off simply because they never get out of the suggestion box. When Col. Bill Murdaugh, as U.S. Army Inspector General, visited Fort Bragg in 1979 he noticed a suggestion box which he was told was useful for soliciting ideas. He asked to review some typical ideas, but a key to the box could not be found. He asked them to cut the lock and found a suggestion that had been placed in the box 12 years earlier!

4. Dishonesty. Because industrial engineers and other staff people are usually ineligible for awards, they sometimes collaborate with those who are eligible to their mutual benefit. For example, in an aeronautics plant in Texas, it became known through the grapevine that the recipient of a $10,000 award split it with the industrial engineer who gave him the idea.

5. Reinforcing a two-class system. World-class organizations minimize rank distinctions between managers and operators. A suggestion system that rewards operators and excludes professionals sends out a divisive message: that management people are hired for their creativity and intelligence and are not to receive additional pay for something they were hired to do, while operators are hired to work with their hands, but if they should happen to think, they'll be paid for it.

A suggestion system as described above tends to inhibit teamwork, frustrate initiative, alienate employees. What are the conditions necessary for promoting widespread employee suggestions?

The Nature of Rewards

A paid suggestion plan is only one of many types of reward systems and must be examined within the context of other reward systems. Reward systems may apply to individuals or to groups.

Individual monetary rewards are designed to recognize individuals through merit pay, skill-based pay, piecework incentives, performance-related bonuses, paid suggestions, and certain benefits. The advantage of individually oriented pay is that it reinforces individual initiative and achievement; its disadvantage is that it does not inspire teamwork.

Group monetary rewards, which include gainsharing, profit sharing, and stock ownership, do encourage teamwork but don't focus on individual achievement. While paid suggestion plans are intended to reward high achievers, they usually discourage teamwork and, as explained below, are more potent as dissatisfiers than as motivators. In the auto assembly plant cited earlier, the procedural hurdles, divisive rivalry, union-management two-class system, time delays, and penurious payoffs discourage collaborative effort and the free flow of suggestions.

Although rewards are usually thought of in terms of money, some of the most potent reward systems — career enhancements, empowerment, and discretionary time — are non-monetary.

Career enhancements include opportunities to further one's career through job rotation, job enrichment, greater accountability, educational assistance, job posting, and more prestigious work environment. They are not necessarily accompanied with pay increases.

Empowerment grants people control of their work systems, ownership of the processes, and freedom to make changes, to manage themselves in a climate devoid of divisive rank-oriented status symbols.

Discretionary time is flextime or compensatory time off under a supervisory system which evaluates performance rather than time spent on the job.

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Though non-monetary rewards do not buy groceries, they are the keys to motivation, and usually the reason people stay with an organization. Moreover, they yield a better return on investment than monetary rewards and enhance the impact of monetary rewards. Except for members of religious and volunteer organizations, non-monetary rewards cannot stand alone, but are used in conjunction with monetary rewards.

The ideal reward system includes all three: individual monetary, group monetary, and non-monetary rewards. A review of several ongoing successful suggestion systems illustrates how a combination of these three reward systems is necessary to stimulate the flow of creative juices in the organization.

Successful Suggestion Systems

Companies that benefit most from employee suggestions do not provide suggestion boxes or pay individuals for suggestions. For example, Texas Instruments, Procter & Gamble, and Maytag have benefited immensely from improvements developed and implemented by employees without traditional suggestion systems. Instead they have achieved their success by teaching employees the techniques and philosophy of Allan H. Mogensen's work simplification process. Although disciples of work simplification shun traditional approaches to soliciting suggestions, the work simplification philosophy of empowerment results in a far greater flow of suggestions than the black box approach.

Every year Procter & Gamble nets millions of dollars from work simplification — one year netted $1 billion. Though savings result from employee suggestions, it is not conceived as a suggestion plan, but, rather, what they call their Methods Change program. In preparation for this creative process, workers participate in about 12 hours of training in methods improvement, flow-process charting, how to write up a suggestion, how to estimate anticipated savings, and how to get the idea implemented. Their classroom learning is reinforced by tackling real problems in their work area as either individual or group assignments.

Texas Instruments has applied work simplification since 1954 — each year netting millions in savings. The actual benefits exceed the assessed dollar value of the savings, as the unmeasured dollar value of the culture change resulting from work simplification's team-building empowerment process no doubt exceeds the dollar value of the measured methods changes.

Employees usually learn the five-step pattern in a 12-16 hour workshop, conducted in two-hour segments, during regular working hours. Classroom theory is augmented by a concurrent assignment to participants, working singly or in groups, to identify a problem in their area which is attacked through the five-step process.

The work simplification approach overcomes the disadvantages of the traditional suggestion systems described earlier. It fosters teamwork, as employees learn to work together discovering and refining improvements. It is not subject to long delays because the operators themselves are in charge of the evaluation process. While the payout does not go directly to individuals, it does enhance cost savings and profitability which can come back to employees through gainsharing and job security. It does not foster dishonesty as nothing is to be gained from under-the-table negotiations. It abolishes or reduces the negative impact of the two-class system, because ideas are accepted on the basis of their merit rather than the suggester's job classification. This approach is at its best when operators, engineers, suppliers, and customers are networking to develop and refine suggestions.

In a Minneapolis Seagate plant manufacturing large disc drives, groups of people can be seen in problem-solving huddles on the floor. Except for the outside customers, job status of participants is indistinguishable because of the common blue smocks worn by all members of the organization. An idea doesn't care who suggested it!

First, Change the Culture

While an effective flow of suggestions would seem to be an important ingredient in maintaining a creative work culture, more fundamental changes must precede the introduction of a suggestion system. Jack Welch, CEO of General Electric, described the handicaps created by oppressive corporate bureaucracies as "the cramping artifacts that pile up in the dusty attics of century-old companies: reports, meetings, rituals, approvals, and forests of paper that seem necessary until they are removed."

The *Total Quality Newsletter* describes a culture change in the Ericsson GE Mobile Communications plant of 1600 employees in Lynchburg, VA through the implementation of 58 self-directed work teams. The suggestion system, called Winshare, is a quality initiative which resulted in 16,000 ideas netting $33 million in direct sav-

ings and cost-avoidance measures in four years. According to Sam Hedrick, Winshare coordinator, "Winshare allows for a complete understanding of our entire business for all employees ... we're not just a manufacturing plant; we're into marketing and customer service and so on. Allowing employees to be empowered to make those areas better is crucial. The integrity and motivation derived from being treated that way is what keeps the program rolling." Ericsson GE almost demands that money be spent on improving quality, allotting $6000 each time to spend as they see fit. If a team spends its $6000 before year's end but identifies an additional need, it must go to another team and convince its members to make the investment. In practice, the 58 teams spend less than one-half the $350,000 annual budget.

Immediate attention is an important key to sustaining a steady flow of suggestions. Sam Hedrick reports that the strength of the company's suggestion system is that suggestions aren't accepted without solutions. "We believe if an employee knows something is wrong, he also knows the best way to fix it. Weekly team meetings are designed to process ideas and decide which are worthy of action." About 82 percent of ideas submitted are implemented.

Milliken Company, a 1989 Malcolm Baldrige National Quality Award winner, follows a 24/72 rule. It requires supervisors to whom ideas are suggested to respond within 24 hours and come up with a plan of action within 72 hours.

As reported in the *Total Quality Newsletter*, Sam Hedrick of Ericsson GE and Robin McDermott of Resource Engineering believe that more emphasis should be given many small ideas rather than a few large ideas. "When employees try to make big suggestions, they're not trying to improve their jobs, but to make money," says McDermott. The typical financial return for an idea in the United States is $5000, according to NASS; in Japan the average idea was worth $130. In the United States, NASS member companies received 1.2 million ideas from nine million employees in one year, while Japanese companies received 47.9 million ideas from two million employees. The significance of these numbers is not the total value of suggestions but, rather, that a culture in which more employees are involved in being creative is more conducive to commitment and motivation.

Recognizing High Achievers

The Pareto ratio usually applies to idea generation — about 80 percent of ideas come from about 20 percent of the participants. But failure to reward the creative few who generate most of the ideas violates an important principle of recognition. Hence it is necessary to combine other reward systems with the suggestion process.

The options are numerous. One is merit pay — pay high achievers more than low achievers. A second is discretionary awards — recognize high achievers at year end with a discretionary bonus related to the value of their contribution to the success of the organization. Another is skill based pay — to reward employee versatility. The most potent rewards for creative achievements are non-monetary, defined earlier, relating to career enhancements, freedom to act, and process ownership. Non-monetary systems result in growth, achievement, responsibility, and recognition. In summary, an ideal reward system for a suggestion process is a well balanced combination of individual monetary, group monetary, and non-monetary rewards.

Companies not satisfied with an existing suggestion plan can convert to a more effective system through an evolutionary process. For example, a Control Data plant near Minneapolis overcame the disadvantages of a traditional system by adopting a team-administered system. suggestion-evaluation teams, each with six to ten rotating members of operators, engineers, and managers take charge of the evaluation process. The person making the suggestion is included as an ad hoc team member. Team members interview suggesters so all ideas are fully understood, and engineers are not saddled with the sole burden of processing suggestions. Anyone can make suggestions; and suggesters more readily accept evaluations of their ideas, because appraisals are based on the judgments of a team rather than on individual opinions. Each team is obliged to complete the processing cycle within a one-month time frame.

Employees may object to a progressive suggestion system that replaces an existing paid suggestion system if it seems to be taking something away from them. This problem can be avoided by developing a parallel system tied to a quality enhancement plan. Most traditional systems die on the vine when not constantly stimulated by publicity. Hence, if a traditional system is not reinforced for a period of a year or so, a similar plan with a new name and focus arising from work simplification training and self-directed work teams can result in a dramatic increase in employee contributions.

Importance of Feedback

Among empowered self-managed work teams, suggestions spring spontaneously from the system. But motivated high achievers need feedback as benchmarks for continuous improvement, and reinforcement of individual and group performance. The best feedback and recognition comes from the system itself, rather than from authority figures. When a baseball player hits a home run (or strikes out), he doesn't need a supervisor to tell him how he's doing. He gets feedback instantly and spontaneously from associates and spectators. The ideal work system is one where initiative and ingenuity are instantly recognized by peers, supervision, and customers. However, the baseball model seldom exists in the workplace and it becomes necessary to create a system that provides appropriate recognition.

Performance charts are effective mechanisms for tracking and reinforcing suggestions, particularly if charts are maintained by members of work teams to keep score on themselves. As part of the educational process, such charts can focus on several criteria such as number of suggestions, cost reductions, shortened leadtime, quality improvement, reduced WIP, setup time, etc. The translation of suggestions into such criteria puts operators on the same data base as managers.

Celebration of accomplishments also stimulates more suggestions and underscores their importance to the organization. Special events, particularly when orchestrated by the suggesters themselves, afford opportunity to recognize both groups and individuals.

Suggestions are a Symptom, Not a Cause

Suggestions are spontaneously generated by empowered people who have a sense of ownership of their work processes and a joint stake in the financial success of the organization. The empowerment process is best implemented through self-directed work teams. Self-managed teams require broadened technical skills, administrative skills, and interpersonal skills for all team members. Though self-directed teams require much additional training, work simplification is a good first step for fostering technical competence through versatility, administrative competence through idea implementation, and interpersonal competence through joint goal-setting and teamwork.

Thus the most effective suggestion process is not a stand-alone system with a suggestion box and monetary rewards. Rather, it is a philosophy that gives people a joint stake, both psychologically and financially, in the success of the organization, puts them on a common data base with management, recognizes group and individual performance, and empowers them to take the initiative in the innovation process.

[1] "Rethinking Your Reward Systems," Special Issue of *Target*, Volume 7, Number 3, 1991, pp. 25-33. Also see: M. Scott Myers, Chapters 2 and 12, *Every Employee a Manager*, (3rd edition), University Associates, San Diego, 1991.

[2] "Who Was Allan Mogensen?" *Target*, Volume 7, Number 4, Fall, 1991, pp. 36-37.

[3] *Work Smarter, Not Harder*, Jim Denyes, and *Mogy, An Autobiography*, Allan Mogensen & Rosario Rausa, Idea Associates, 1241 Kingsway Drive, Chesapeake, VA 23320, 1989.

[4] *Paperwork Simplification*, The Ben Graham Corporation, 6600 South Troy Frederick Road, Tipp City, OH 45371.

[5] *The Amazing Oversight*, Ben Graham & Parvin Titus, The Improvement Institute, Tipp City, OH, 1984.

[6] *Tapping the Human Resource*, Clair F. Vough, AMACOM, 1975.

[7] *Total Quality Newsletter*, Lakewood Publications, a subsidiary of Maclean Hunter Publishing Co., 50 South Ninth, Minneapolis, MN 55402.

[8] *Self-Directed Work Teams*, Jack D. Osburn, Linda Moran, Ed. Musselwhite & John H. Zenger, Business One Irwin, Homewood, IL, 1990.

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