THE IDEA-DRIVEN ORGANIZATION

Unlocking the Power in Bottom-up Ideas

Dr. Alan G. Robinson
Isenberg School of Management
University of Massachusetts
Amherst, MA 01003

Email: agr@isenberg.umass.edu
Tel: (413) 545-5640

Canadian Public Sector Lean Summit
Fredericton, April 19, 2016

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Average and Managed Rates of Improvement and Innovation

Productivity

Time

Managed Rate

Average Rate

Advantage
MULTIPLE CHANNELS FOR IDEAS

• **Innovative ideas**, which generally need to be handled differently from improvement ideas;

• **High-level** problems and opportunities that only top management can address;

• **Mid-level** issues related to processes and systems, the daily machinery that runs your organization;

• **Smaller** problems and opportunities that are seen predominantly at the **front-line** level.
THE CENTRAL FACT

Front-line staff see a great many problems and opportunities that their managers don’t.
THE TIP OF THE ICEBERG

Idea System
9 Million

Green-Belt Projects
1 Million

Black-Belt Projects
1 Million

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Most of what managers need to improve their units and meet their strategic goals is invisible to them, but not to their front-line staff.

- In organizations with effective idea systems, roughly 80 percent of overall performance improvement comes from front-line ideas.
- If you are not set up to listen to and act on large numbers of front-line ideas you are using only a fifth of your improvement engine.
<table>
<thead>
<tr>
<th>Company</th>
<th>Ideas per Person/Employee per Year</th>
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</thead>
<tbody>
<tr>
<td>Boardroom Inc.</td>
<td>104</td>
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<tr>
<td>Wainwright Industries</td>
<td>87</td>
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<tr>
<td>Gulfstream</td>
<td>33</td>
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<tr>
<td>Brasilata</td>
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<td>Clarion Hotel – Stockholm</td>
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<td>Autoliv</td>
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<td>Toyota USA</td>
<td>100</td>
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<td>Thedacare</td>
<td>8</td>
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INNOVATION AND IMPROVEMENT

When people come up with new ideas, they are either:

**Improvements** - changes to what is already done;

**Innovations** - entirely new activities for the organization.
THE FIRST PRINCIPLE OF MANAGING IDEAS

The True Nature of Creative Acts

• Most creative acts are not planned for, or even anticipated, at the companies at which they occur.

• Consider Sam Stern’s study of projects in Japan that had won national awards from the:
  - Science and Technology Agency, and
  - The Japan Institute of Invention and Innovation

Fact: More than half of these award-winning projects had been initiated by individuals, and had not been anticipated by their management.
Fact: The novelty and impact of these self-initiated projects far exceeded that of the projects which had been initiated by management.

Fact: When comparing award-winning projects with commercially successful but not-especially-novel ones, an interesting pattern emerged:

1) The award-winning projects were more likely to have been initiated by individuals

and

2) The not-especially-novel ones were far more likely to have been planned for by management.
CARLSON’S LAW

Top-down innovation is **orderly** but **dumb**.

Bottom-up innovation is **chaotic** but **smart**.
DEFINITIONS OF CI AND INNOVATIVENESS

Mike Rother

Moving toward a desired state through an unclear territory by being sensitive to and responding to actual conditions in the workplace.

Edmund Phelps

Be in the forefront of responses to shifting opportunities
HOW HIGH-PERFORMING IDEA SYSTEMS WORK
POINT 1: GO AFTER SMALL IDEAS

- It is impossible to improve performance past a certain point without getting the little things right.

- Small ideas are much easier to implement than big ideas:
  - Much less resistance
  - Easier to do
  - Lower risk
  - Better for learning
  - If you could choose between 1 big idea and 10 small ideas to do the same thing, which would you choose?

- Unlike major innovations, most small ideas stay proprietary and create sustainable competitive advantage.
A secretary at Idemitsu headquarters in Tokyo:

I had been sending monthly Kaizen reports by fax to about 50 branches. I decided to send them at night when the rates were lower. The costs worked out as follows:

**Before.** Regular fax time cost was 8 yen per page:
8 yen * 20 pages/fax * 50 sites * 12 issues/year = 96,000 yen.

**After.** With a 30 percent discount at night fax costs are 5.6 yen per page: 5.6 yen * 20 pages/fax * 50 sites * 12 issues/year = 67,200 yen.

**Total annual savings:** 28,800 yen (some $320).
POINT 2: MAKE IDEAS PART OF EVERYONE’S JOB

• **Document** ideas and **track** them.

• Expect ideas from your **front-line employees**.

  *Evaluate them on their participation in the idea process.*

• Teach your **supervisors** the value of ideas and their own four roles: **encouraging**, **mentoring**, **championing** and **looking for larger implications** of ideas.

  *Evaluate them on how well they promote ideas.*
AT ONE LARGE COMPANY....

Idea Per Person

Division
POINT 3: HELP YOUR PEOPLE COME UP WITH MORE AND BETTER IDEAS (The Basics)

- Constantly identify new ways to increase their problem sensitivity.
- Teach them about creativity, the creative process and creative thinking.
- Use techniques such as pre-mortems and AARs to open new problem areas.
- Identify and develop idea activators.
- **Hone their technique** in “hard skills” and “soft skills” -- such as speaking, persuasion, negotiation, running meetings, and confrontation.
- Show them how to improve their powers of observation.
- Constantly expose them new experiences that will broaden their perspectives on, and deepen their knowledge of the company.
  - Job rotation, benchmarking, contact with internal/external customers, reading groups, ongoing learning and development.
YOUR GOAL

Learn how to set up and run a good idea system, to enable front-line staff to act all on the problems and opportunities they see.

**Goal:** 12 implemented ideas per person per year by end of first year.
QUESTIONS??
THE MULTIFACTED CONNECTIONS BETWEEN A HIGH-PERFORMING IDEA SYSTEM AND INNOVATION

• A high-performing idea system allows you to perform at levels that push the better-faster-cheaper performance envelope much farther than competitors.

  e.g. Inditex and Zara

• Setting up a high-performance idea system forces you to seek and promote the right behaviors in leadership, and to realign the organization, which removes many of the barriers to innovation too.
FRONT-LINE IDEAS AND INNOVATION

- Innovations often need front-line ideas to **work**
- Front-line ideas create **capabilities** that enable innovations
- Front-line ideas can transform **routine innovations** into **major breakthroughs**
- Front-line ideas can open up **new opportunities for innovation**