

THE IDEA-DRIVEN ORGANIZATION

Unlocking the Power in Bottom-up Ideas

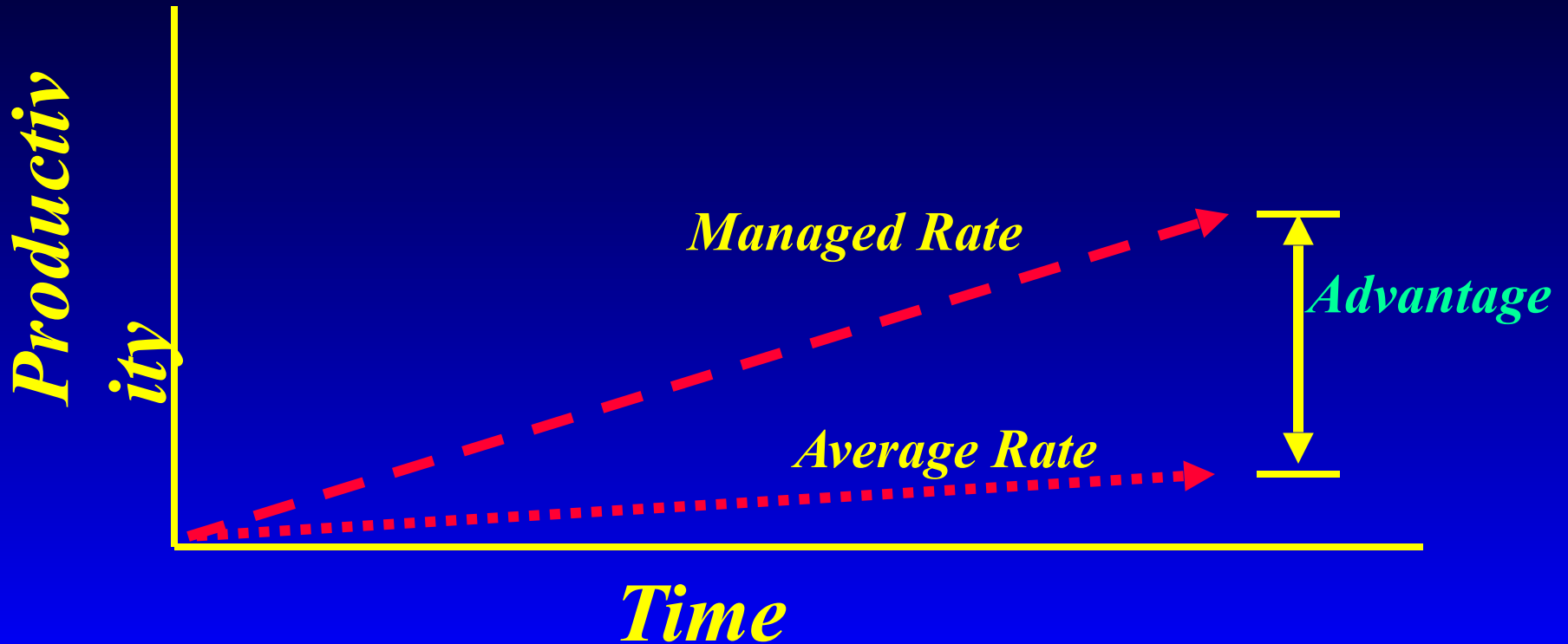
**Dr. Alan G. Robinson
Isenberg School of Management
University of Massachusetts
Amherst, MA 01003**

Email: agr@isenberg.umass.edu

Tel: (413) 545-5640

*Canadian Public Sector Lean Summit
Fredericton, April 19, 2016*

Average and Managed Rates of Improvement and Innovation



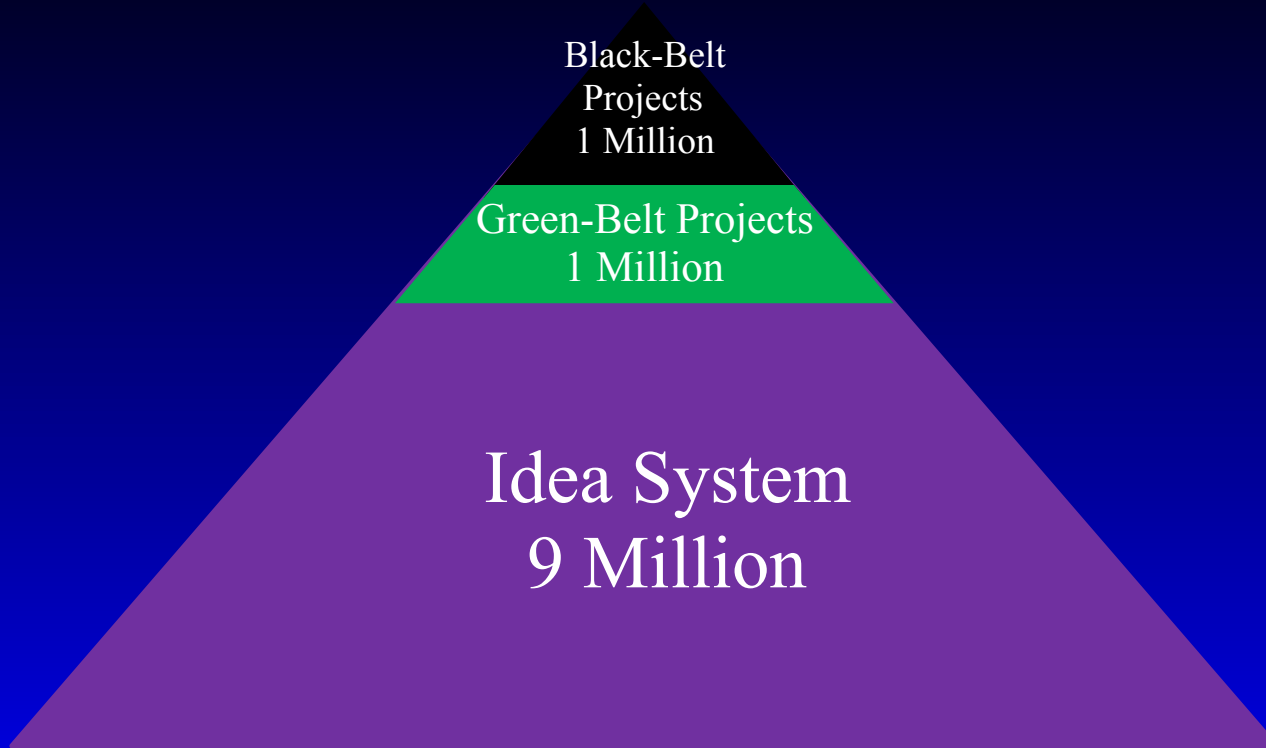
MULTIPLE CHANNELS FOR IDEAS

- **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



THE 80/20 PRINCIPLE OF IMPROVEMENT

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.*

EXAMPLES OF GOOD IDEA SYSTEMS

Boardroom Inc.

104 ideas per person per year

Wainwright Industries

87 ideas per person per year

90 percent implemented

Gulfstream

33 ideas per person per year

Pyromation

47 ideas per person per year

Brasilata

185 ideas per person per year

92 percent implemented

Clarion Hotel – Stockholm

67 ideas per employee per year

Autoliv

123 ideas per employee per year

Milliken Corporation

115 ideas per employee per year

Toyota USA

100 ideas per employee per year

(Thedacare

8 ideas per employee per year)

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.

NATURE (cont'd)

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.

WHAT WAS THIS IDEA REALLY WORTH?

- 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:
 $8 \text{ yen} * 20 \text{ pages/fax} * 50 \text{ sites} * 12 \text{ issues/year} = 96,000 \text{ yen.}$

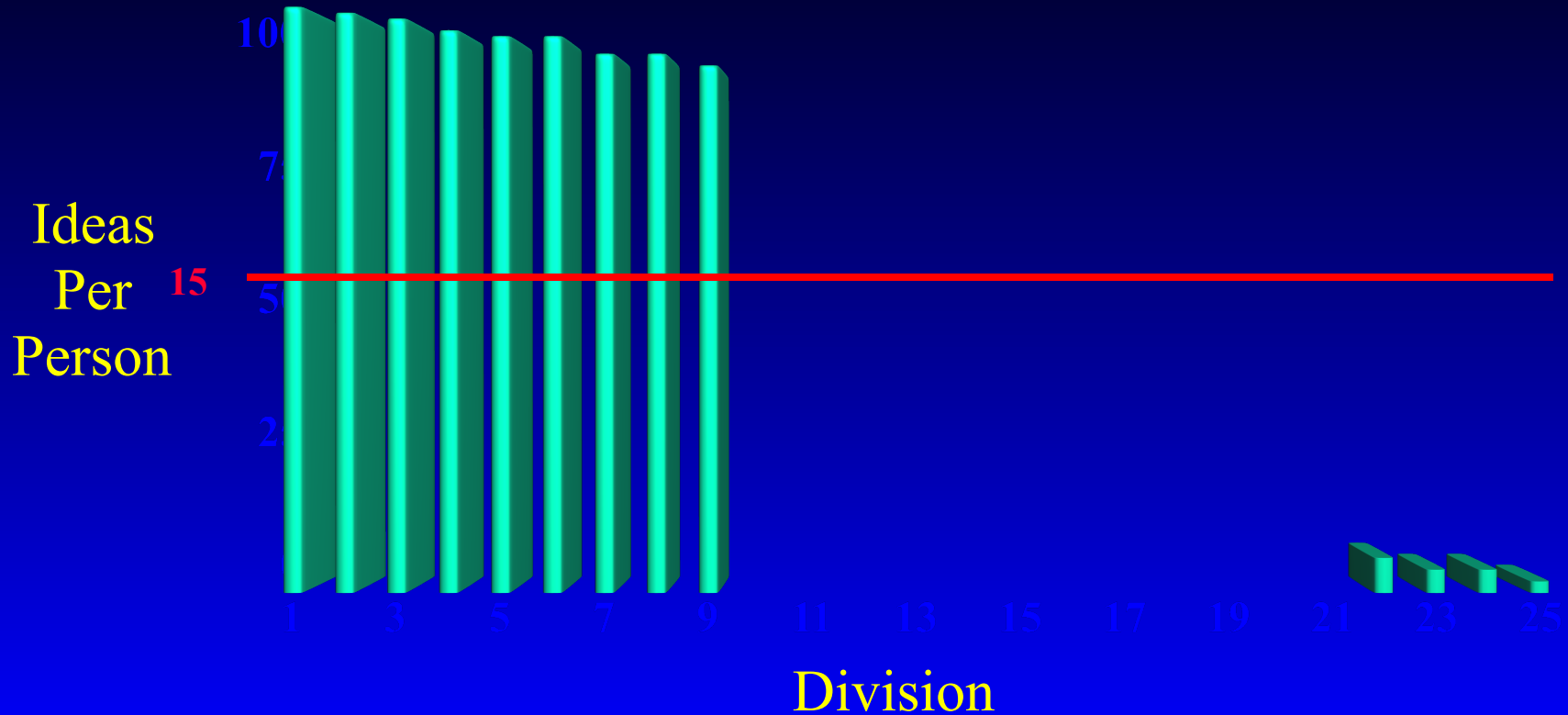
After. With a 30 percent discount at night fax costs are 5.6 yen per page:
 $5.6 \text{ yen} * 20 \text{ pages/fax} * 50 \text{ sites} * 12 \text{ issues/year} = 67,200 \text{ yen.}$

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....



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**