HOW THE IDEA REVOLUTION
IS LIBERATING PEOPLE AND
TRANSFORMING ORGANIZATIONS

IDEAS ARE FREE

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Performance expectations for managers keep going up. Managers are continually asked to do more, but to do it with less. For top management, the standard response to flagging profits and increasing competition has become budget cuts and layoffs. Middle managers and supervisors suffer the consequences, as they are left with too few resources and people to do the work. They are forced to operate in survival mode, putting in long hours to deal with an endless stream of urgent problems. Almost never do they have the time to think beyond this month's results. In addition, they are under constant scrutiny, and their jobs are not secure.

Ironically, help is closer than they realize—in the people who work for them. They are the ones who *do* the work, and they see many things their managers don't. On a daily basis, they see what is frustrating customers, causing waste, or generally holding the organization back. Employ-

ees often know how to improve performance and reduce costs *more intelligently* than their bosses do. Yet they are rarely given a chance to do anything about it. No one asks them for their ideas.

Over the last century, many managers have recognized the huge potential in employee ideas and tried to tap it. But few have been truly successful. Those few found that they had fundamentally changed their organizations and helped them reach extraordinary levels of performance. Today, most managers either don't realize the full power of employee ideas or have never learned how to deal with them effectively. That is why we wrote *Ideas Are Free.*

The book has its origins in the late 1980s when we both were on the faculty of the University of Massachusetts. Before going into academe, Dean Schroeder had headed a number of organizational turnarounds and major change initiatives and had learned that the employees of distressed companies could often identify and solve critical problems, which management had either missed or ignored. Invariably, they had penetrating insight into the issues that their companies faced and good ideas about how to address them. Why, Dean wondered, had their managers made no use of this free and willing resource?

Around this time, Alan Robinson came to ask the same question. He was studying how leading Japanese companies were managed. Many of them had higher productivity and better products than their Western counterparts, and he wanted to understand why. Through professional contacts and family members living and working in Japan, he was able to gain unusual access to twenty Japanese companies. Alan found that these companies put a great deal of emphasis on something that most Westerners had largely overlooked.

The Japanese managers were asking ordinary employees— the ones who staffed the offices, worked in the factories, and

served the customers—for their ideas. *Small* ideas. Not creative whiz-bang new product or service ideas, but *everyday common-sense* ideas that would save a little money or time, make their jobs easier, improve the customer experience, or in some other way make the company better. Some of the companies Alan studied were getting and using extraordinary numbers of ideas—in some cases almost one per person per *week.* And these ideas accumulated into significant competitive advantage.

We both found the concept of seeking employee ideas compelling—it was clear how this would lead to high employee involvement and superior performance. Strangely, the vast majority of companies we were familiar with seemed to ignore this huge opportunity. Most of them were far better at *suppressing* ideas than *promoting* them.

The journey that led to *Ideas Are Free* began as a process of informal discovery. We gathered general information about how different organizations deal with employee ideas, visited some that did it well, and studied the history of efforts to promote employee ideas around the world. Ever since the Scottish shipbuilder William Denny put up the world's first industrial suggestion box in 1886, a wide variety of approaches to promoting employee ideas have been tried. Even Stalin tried to coax improvement ideas from front-line workers in the Soviet Union as part of his effort to catch up with the West.

We found that radical change did indeed take place when managers began encouraging and implementing large numbers of employee ideas. The implications were vast and profound—for improving performance, the organization's culture, and the quality of people's lives. Although few of the companies that were managing ideas well were publicizing their success, it was clear that the number of these companies was growing. And the deep transformation that these organizations experienced as

ideas began to flow smoothly made us realize that we were look-ing at something quite revolutionary.

Our goal then was to figure out how organizations can suc-cessfully promote employee ideas and to understand the nature of the extreme change that pursuing ideas can create. The re-search turned out to be much more extensive than we antici-pated. It took us to seventeen countries and into more than 150 organizations, representing a broad variety of industries—finan-cial services, retailing, health care, manufacturing, hospitality, agriculture, publishing, high technology, transportation and lo-gistics, telecommunications, not-for-profit, and government—and ranging in size from small family-owned businesses to large multinational corporations, in both union and nonunion envi-ronments. We studied best-practice companies and those whose attempts were struggling or just being launched. We compared what *worked* with what *didn't*, developed hypotheses, and tested them against our spectrum of organizations. We repeated the process until we were confident that we had distilled the general principles needed for success.

As people learned of our research, we found ourselves being invited to help many organizations that wanted to promote em-ployee ideas. The hundreds of managers we worked with helped us further refine, clarify, and strengthen the concepts we now present in *Ideas Are Free.*

Tapping the potential in employee ideas is not a matter of merely buying into the concept and becoming more receptive and welcoming to them. There is a considerable amount to know, much of which is counterintuitive. We believe every manager should read this book, from the front-line supervisor to the CEO.

We hope that you enjoy *Ideas Are Free* and that it makes you a better leader.

THE IDEA REVOLUTION

What will future generations say about the way we practice management today? What will they consider our most conspicuous failure?

We believe they will accuse us of having squandered one of the most significant resources available to us: employee ideas. Every day, all over the world, millions of working people see problems and opportunities that their managers do not. With little chance to do anything about them, they are forced to watch helplessly as their organizations waste money, disappoint and lose customers, and miss opportunity after opportunity that to them are all too apparent. The result is performance far lower than it should be and employees who do not respect or trust management and who are not fully engaged with their work.

At the same time, their managers are under constant pressure to do more with less. But with so much of their

time consumed by "firefighting" and trying to meet short-term demands, they have little or no time to think about how to build their organizations' capabilities. They are chronically short of the resources they need to keep performance at current levels, much less *improve* it. They wonder how to motivate their employees, who don't seem as involved in their work as they should be. In short, a great many managers today find their work stressful and unfulfilling. Because there seems to be no alternative, both managers and employees become jaded, and they accept the situation as the way things have to be.

But a quiet revolution is under way—an *idea revolution*—led by managers and supervisors who, in a small but growing number of companies, have learned how to listen systematically to their employees. With each implemented idea, performance improves in some way. Some time or money is saved, someone's job becomes a little easier, the customer experience is enhanced, or the organization is improved in some other way. With large numbers of ideas coming in, performance improves *dramatically*. And as employees see their ideas used, they know they are having an impact on their organization and become engaged in their work.

Why do we call this movement a revolution? We do so because it liberates people and transforms the way that organizations are run. It changes the nature of the relationship between managers and their employees. As Ray Winter, then president of BIC Corporation, observed about the effect of his company's idea system on the corporate culture:

> *This system has taught my managers* real *respect for their employees. My managers have learned that their employees can make them look awfully good, if they only let them.*

This comment could easily be taken to mean that it does not take much—other than receptiveness on the part of management—to get large numbers of ideas from employees. But, just as it did the other companies we have studied, it took BIC years of experimentation and learning to discover how to tap this potential. There is a lot to learn, much of which goes against the initial assumptions most managers make about why people give ideas and which ideas are important.

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WHAT'S IN AN IDEA?

Ideas are the engine of progress. They improve people's lives by creating better ways to do things. They build and grow successful organizations and keep them healthy and prosperous. Without the ability to get new ideas, an organization stagnates and declines and eventually will be eliminated by competitors who *do* have fresh ideas.

An idea begins when a person becomes aware of a problem or opportunity, however small. Every day, regular employees— the people who do the office work, make the products, and serve the customers—see plenty of problems and opportunities and come up with good ideas about how to address them:

- When accounting for oil purchases, a staffer in a regional distribution center of Deutsche Post, the German post office, noticed that the company was paying too much for the engine oil for its trucks. Drivers were buying oil at roadside service stations, paying the equivalent of $8.50 per liter. After some research, he found that Deutsche Post could buy the oil in bulk for a quarter

of the price and proposed that it do so. At the time of this writing, the idea was being implemented at distribution centers across Germany. With tens of thousands of diesel trucks and vans on the road, it will no doubt save millions of euros every year.

- At Good Shepherd Services, a not-for-profit health care organization with a nursing home in northern Wisconsin, a group of employees learned in a training session that dementia patients often see areas of black flooring as holes and avoid them. Instead of using alarm bracelets or restraints to keep such patients from wandering into unsafe areas, the group suggested simply to paint the floor black in front of the doorways to these areas. The idea worked, and it not only reduced patient stress but saved staff considerable time because they no longer had to respond to alarms.

- At LaSalle Bank, one of the largest banks in the United States, whenever someone requested a new laser printer, they were given the standard model specified by the purchasing department. One day, an employee unpacking his new printer noticed that it included an expensive internal disk drive, which no one would ever use. With all the printers the bank purchased each year, his idea to eliminate this feature saved a considerable sum of money.

- At a Massachusetts Department of Correction facility, a guard proposed a change in the way pictures were taken of new inmates. Instead of using film, why not use digital cameras and store the images in a database? Across the department's sixteen correctional facilities, this idea saved $56,000 the first year, in film alone.

- An office worker in a Florida branch of a national temporary-placement firm realized that there was a problem with her company's hiring practices. At the time, it was paying an outside vendor to test applicants for literacy, numeracy, and computer skills. Those who passed were then given a drug test and criminal background check, which some *70 percent* failed. Why not do the drug testing and criminal background check *first,* she asked? When the idea was implemented nationwide, the savings were huge.

- At Winnebago Industries, the recreational vehicle maker, an assembly worker pointed out that the 10 percent of customers who ordered the deluxe sound system option were getting additional speakers they never used. No one had told the crews on the main assembly line that installed the built-in speakers for the *regular* sound systems to skip the vehicles that would be having the deluxe speakers installed later. The regular speakers embedded in the walls were never connected. They were *seen* but not heard. Although the savings from this idea were significant, the main benefit was that customers stopped bringing vehicles back to the dealers and asking them to fix speakers that were not working.

None of these ideas required particular insight or much creativity, or required much in the way of time or resources to implement. (In the case of Deutsche Post, oil suppliers were so eager for the business, they were willing to install the bulk tanks for free.) To the people who came up with them, they were simply common sense.

Every employee idea, no matter how small, improves an organization in some way. It is when managers are able to get

large numbers of such ideas that the full power of the idea revolution is unleashed.

HOW IDEAS DRIVE A CULTURE OF HIGH PERFORMANCE

There is a clear link between an organization's ability to tap ideas and its overall performance. Consider the following examples:

- Boardroom Inc., a Connecticut publisher, averaged 104 ideas per employee in 2002. Its sales per employee were more than seven times greater than the average publisher.

- Richer Sounds has been listed a number of times in the *Guinness Book of World Records* as having the highest sales per square foot of any retailer in the world. It also has one of the best idea systems in the United Kingdom, which brings in some twenty ideas per employee per year.

- Milliken, a global fabric and specialty chemicals company, averaged 110 ideas per employee in 2002. In a number of its textile product lines, it competes with companies in developing nations whose prevailing wages are less than *one-twentieth* of those in Europe and the United States, where most Milliken operations are located. To be successful, the company has to *outmanage* its competitors. Over the last two decades, Milliken has actually been able to *increase* its advantage over them, a feat that Roger Milliken, chairman and CEO, attributes

in large part to the company's idea system. Milliken is one of only two companies in the world that has won both the Malcolm Baldrige National Quality Award (MBNQA) and the European Quality Award. The other is the French-Italian company ST Microelectronics, which has one of the better idea systems in Europe.

- DUBAL, a major aluminum company in the United Arab Emirates, has none of the natural advantages typically associated with aluminum producers. It must produce its own electricity, desalinate seawater from the Persian Gulf to get the large amount of fresh water it needs, and import its primary raw materials from Australia. Yet DUBAL, whose people average more than nine ideas each per year, is one of the lowest-cost producers of aluminum in the world. According to CEO John Boardman, much of the company's excellent performance can be credited to its idea system.

- Dana Corporation, a global company with over sixty thousand people, expects every employee to submit two ideas each month, and in some facilities it exceeds twice this number, with a worldwide implementation rate of *80 percent.* Two of the company's U.S. divisions have won the MBNQA.

In our experience, when people first encounter examples of companies like these—work environments that are clearly so different from where *they* work—they are full of questions. How do the employees in these organizations come up with so many ideas? Are the ideas any good? Who has time to deal with all of them? Don't you have to create a huge bureaucracy just to deal with ideas? How are employees motivated to give in so many

TAP ONE OF YOUR GREATEST SOURCES OF PERFORMANCE IMPROVEMENT —EMPLOYEE IDEAS

The fact is, because they're the ones doing the day-to-day work, front-line employees see a great many problems and opportunities that their managers don't. But most organizations do very poorly at tapping into this extraordinary potential source of revenue-enhancing and savings-generating ideas.

Drawing on extensive research and experience in more than 300 organizations around the world, Alan Robinson and Dean Schroeder show precisely how to take advantage of the virtually free, perpetually renewable resource of employee ideas. True excellence and sustainable competitive advantage—in every area, from productivity to responsiveness, keeping costs low, quality, and service delivery—is only possible with the attention to detail that comes from getting and implementing large numbers of ideas from employees.

Robinson and Schroeder describe:
* How to make ideas part of everyone's job
* How to set up and run an effective process for handling ideas
* How to help people come up with more and better ideas
* How a strong flow of ideas can have a profound impact on an organization's culture

"*Ideas Are Free* is a refreshingly insightful book that managers at all levels should read."
—**Donald V. Fites**, former CEO, Caterpillar, Inc.

"*Ideas Are Free* [is] a clear and concise prescription for turning an organization into an idea machine. ... it will inspire any manager who believes, as I do, that only the innovative thrive!"
—**Jeff Taylor**, Founder and Chief Monster, Monster.com

"*Ideas Are Free* shows how a good idea has no bounds and how pursuing such ideas is the essence of everyone's job today. Robinson and Schroeder outline a workable plan for tapping into this unlimited resource and harnessing its potential. Believe it: Small ideas can yield big results!"
—**Bob Nelson, Ph.D.**, bestselling author of *1001 Ways to Reward Employees* and *1001 Ways to Take Initiative at Work*