

THE VALUE OF AN IDEA

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In this presentation, we will take a look at what is the value of an idea to an organisation that could benefit from that idea as well as people involved in observing, creating a solution, implementing, recognising and following-up on an idea. This will cover the obvious answers such as cost savings as well as less obvious considerations.

An idea or suggestion must have a proposed solution or change. This involves a stage of observing a situation and identifying a problem or opportunities. Then we use problem-solving strategies (such as the **5 Whys**, standardised work or fishbone diagrams) to come up with potential solutions. Just discussing a situation without constructive input to correcting it is just a complaint. With idea or suggestion schemes, until there is resolution with an idea, we typically consider that idea open or incomplete.

An idea must be utilised for it to have value. This could be:

- Fully implementing it
- Using the concept to spur a different solution
- Using the idea as a communication vehicle – such as responding to a non-adopted idea in a newsletter.

Now lets take a look at ways we can value an idea:

● **DIRECT BENEFITS**

- **CASH SAVINGS – MATERIAL AND LABOR** – This is a very traditional measure and typically linked to awards that pay a % of savings as a cash award. This is typically 10-25%. Fully measuring cost savings is time consuming and can eat up resources of organisational experts (it is easier to give a green light to something based on cruder measurements but an actual savings figure isn't as easy). Therefore, the value of an idea is impacted by the amount of work or perceived work is required to implement it. We can simplify evaluations by having a matrix for awards rather than an exact calculation or red/green lighting the project.

- **INTANGIBLE MEASURES** – Most idea have no direct financial benefit to the company. These are often called intangible ideas. Often some sort of matrix is created to attempt to value those types of ideas.

- **DIRECTLY IMPROVE SAFETY** - Safety idea matrices in some organisation can be gruesome to look at but identify potential value.
- **DIRECTLY IMPROVE QUALITY**

● **USABILITY – WHAT IS THE IMPACT OF THE IDEA TO THE ORGANISATION?**

- **HITS** - Web hits on a site where people rate the concept.
- **DIRECTLY USED** - Number of times it was actually used as written up.



- **CAUSED ANOTHER SOLUTION** - Number of times it was used as part of another solution or it was modified to a solution.
- **RESEARCH** - What if it is Part of a Knowledgebase? Can people research the database to find ideas that fit their problems? The idea drives change.
- **CATALYST FOR CHANGE** – An idea could shift people’s perceptions and spawn new ideas.

Other benefits from an idea process:

- **INDIRECT EFFECTS (+/-)** – These can happen even if that idea has nothing to do with quality or safety. They can be the result of increased vigilance due to people more observant of the jobs they do – looking for ideas.
- **GENERAL SAFETY** – If people are paying attention to their jobs, they are typically more alert.
- **OVERALL QUALITY** – An active idea scheme tends to keep people more aware as they are looking for improvements.
- **TURNOVER** – If people are being valued they tend to want to stay.
- **IMPROVE MORALE IF IDEAS HANDLED IN A TIMELY BASIS** – The Longer it sits the less value it generally has.
- **SERVES AND CONNECTS US TO OUR CUSTOMERS**
- **COMMUNICATION AND FEEDBACK VEHICLE** – Responding to ideas provides valuable communication. Posting ideas in common areas or web sites increases that exposure.
- **PRIDE** – Seeing their ideas implemented can give increased pride to the people involved in that idea.
- **RECOGNITION JUST BY USING THE IDEA** – Just doing the idea and keeping our commitment to listening is a powerful thank you.

- **MEASURE OF HOW MANAGEMENT LISTENS AND CONNECTS TO EMPLOYEE AND CUSTOMER NEEDS**
 - **BREAKS DOWN COMMUNICATION BARRIERS**
 - **GET RID OF STUPID RULES**
 - **ALIGNS MANAGEMENT WITH LEADERSHIP GOALS** – This can cause conflict, as departmental goals may not align with organisational goals or needs.
 - **HOW WELL MANAGEMENT SUPPORTS CHANGE AND IDEAS** – We can pin point which managers may be supporting or not supporting the process. This requires accurate reports that drill down to the lowest management level. We must use the results constructively and not as a baseball bat.
 - **INDIRECT MEASURE OF MANAGEMENT STRATEGIC GOALS** - An active idea scheme can also provide us useful information on topics such as morale and key organisational strategic initiatives if we can reasonable categorise each idea by those items. For instance, management may want to know about what people think about recycling. If we have a sufficiently active scheme - the value of saying we had 10% of last quarters ideas about recycling may be what they need rather than spending 1000's on yet another survey

VALUING AN IDEA			
ITEM	HOW EASY TO DO?	HOW IMPLEMENTED?	DO WE USE THIS? WHY?
Direct Benefits			
Cash Savings – material and labor	Costly and time consuming to do if we pay % of savings as it forces detailed evaluations.	Normally via formal evaluations using pre-designed forms.	
Intangible measures – safety and quality	Easy to implement but hard to keep fair. What is the true value of a safety idea?	Via matrices that score an idea.	
Usability – What is the Impact of the Idea To the Organisation?			
Hits	With an on-line system, the ability to score existing ideas and add comments is required.	An on-line system is mandatory – if most people don't have access on-line this approach will not work.	
Directly Used			
Caused Another Solution			
Research			
Catalyst for Change			
Indirect Effects (+/-)			
General safety	It is easy to set up measures, however until a scheme is very active (over 25% participation rate), suggestion scheme activity probably will not connect well to organisational strategies.	Linking suggestion scheme activity to other key organisational parameters may lead to correlation with those measures and these values.	
Overall Quality			
Turnover			
Improve Morale if Ideas Handled in a Timely Basis			
Serves and Connects us to Our Customers			
Communication and Feedback Vehicle	Getting good feedback from evaluators may be difficult. Easier if we can email people results though personal contact, from their supervisor or suggestion scheme staff provides strong reinforcement.	Insuring we publicise idea results and get good feedback to people submitting ideas.	
Pride	Easy if we provide fair and timely results. The presenter needs to be interested in providing the results.	Via supervisor or other contact formally letting them know when the idea is completed and thanking them for the idea.	
Recognition Just by Using the Idea			

ITEM	HOW EASY TO DO?	HOW IMPLEMENTED?	DO WE USE THIS? WHY?
Measure of How Management Listens and Connects to Employee and Customer Needs			
Breaks Down Communication Barriers	Management often has difficulty in being open to communication and change.	Well designed reports and easy-to-use on-line system.	
Get Rid of Stupid Rules	People love their rules, forms and other bureaucracy – it will not be easy.	Creating a culture that supports ridding ourselves of unnecessary rules. This requires top management full support.	
Aligns management with leadership goals	Managers often have agendas very different from organisational goals – so good ideas may conflict with local goals.	Requires training and full top management support as well as clear communication of our true goals.	
How well management supports change and ideas	Reports are hard to create – my company has spent hundreds of hours creating these sorts of reports.	Reports distributed via email or an on-line website.	
Indirect measure of Management Strategic Goals	Medium challenging – we must know what goals are important and ensure we identify what ideas link to what goals.	On-line capture of strategies and key information – linked to reports management can use.	

Things that can affect the value an idea:

● **TIME**

- **LENGTHY EVALUATION** – Unnecessary delays in idea review will turn off idea generators. Communication with participants is important if delays are required. If not, we need a process to deal with the late evaluators or it can affect the entire process.
- **NOT DIRECTLY IMPLEMENTING THE IDEA** – We know some ideas will take longer to implement. By directly implementing, I mean making sure it is implemented in a timely manner and avoiding unnecessary delays.
- **TIME KILLS SOME IDEAS** – Some ideas have a shelf life and if not acted upon will have no value. One of my manufacturing customers sat on an idea that suggested using a different short bolt in assembly – by dragging their feet for several months the idea had no value since the new model year of the auto used different parts. They lost about £50K due to that delay. Now, if resources were so tight that there were bigger projects that would have saved more money I agree with the delay. However, that might suggest an idea to add staff to save money on these valuable ideas.

● **PERCEIVED VALUE**

- **DEPENDS ON WHO WE ARE ASKING – SUBMITTER, EVALUATOR, IMPLEMENTOR, SUPERVISOR OR MANAGEMENT** – Idea generators (submitters) think their idea will save the company yet technical experts may see their idea a waste of time to review. Is the process to review an idea formally different from the natural evaluation process for the same idea?
- **DEPENDS ON WHERE IT CAME FROM** – Senior leadership’s ideas will be received very differently than someone from a factory floor, even if the latter idea is better thought out.

● **WHAT ABOUT THE NON-ADOPTED IDEAS?** – What do you do with your non-adopts? Most toss them in the rubbish bin and that is it. Maybe a nice letter saying thank you.

- **THEIR TIME HASN’T COME** – Probably your best ideas were non-adopted. Consider an idea that suggested moving the associate lockers from the first floor to a second story balcony area that was large enough to accommodate the lockers. This was in an automotive parts supplier factory.

When I have mentioned this idea to colleagues, their typical response was “silly idea”. Well that idea saved over \$700,000 since their plant desperately needed to expand and they didn’t have enough space for the incoming machinery. Floor space costs were at \$96/square foot. Even at their facility, the idea was non-adopted and the submitter appealed it about a year later. The original evaluation mentioned associates having difficulty using a ladder to access the balcony and people on medical disability not being able to access their lockers. After the appeal, the solution included two sets of stairs (costing about \$3,000 to build in-house), painting the floor, and leaving a few lockers on the first floor for people with disabilities.

Now what do you think? Possibly the timing of the idea wasn't right the first time it was submitted – timing is crucial. However, more likely the initial evaluator wasn't open to really looking at the idea and a finding a viable solution. Stay open minded! Also, review your non-adopts that might have future value

- **COMMUNICATION** – Policy related ideas are ideal for communication in newsletters or other methods as policy issues.
- **MORALE AND QUALITY** – As the number of non-adopted ideas vary, it could relate to general morale at your facility or the quality of what we produce. One of our customers who had a top suggestion scheme (20K idea/year for a staff of 5K) had their suggestion system fall apart and drop to about 12K/year. At the same time, they had serious quality issues in the factory that caused them to loose production volume from their parent company.

I hope this helps you see different ways ideas can benefit your organisation and find ways of sharing that with management. As you can see – there is much more to valuing an idea than cost savings. Management needs to know our scheme works yet is rarely willing to exhaust expensive technical resources to review ideas when not required. They of course, are driven by bottom-line costs or profits but there are many other measures that also interest them and inevitably link back to costs/profits. Finding what fits their needs yet doesn't over burden your scheme should yield higher success.

At the same time, we need to balance measuring the value of an idea with getting ideas implemented. If we have great measures but they take too much time to calculate or provide, our idea schemes slow down and ideas clog up the system. We need to get solid solutions to ideas out the door in a timely manner since ideas do have an expiry date.

Thank you! I wish you the best luck in managing your idea or suggestion schemes.