A New Approach to Idea Management:

Idea Central

Innovation is a critical success factor for companies that want to stay competitive in the current business environment. This paper discusses how companies can best exploit the creativity of their own workforce in order to become more innovative.

Many companies fail to be innovative because they lack the appropriate mechanisms to foster a culture of participation from their employees. The solution to the problem lies in mobilizing the company's intellectual capital via an idea management system.

This paper describes Imaginatik's approach to idea management, blending knowledge management with employee creativity to create Idea Central, an application for creating, sharing and reviewing ideas.

The paper explores the negative and positive dynamics of idea management systems and proposes critical success factors for these systems, based on the main stages of the idea management process, namely challenge, capture, share, exploit and measure. We cover the main features of Idea Central and describe how the application addresses those critical success factors.

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1. Introduction

Innovation is a critical strategy component for companies who want to stay competitive. Exploiting the potential creativity that lies within organizations, specifically the creativity of employees and managers, is an obvious, but under-exploited, way of achieving this goal.

Ideas originating from employees form an unlimited source of value and competitive advantage that can be leveraged by organizations in the shape of incremental improvements and strategic innovations. Incremental improvements are sometimes known as continuous improvements, or little 'i' innovation. Strategic innovations covers areas such as radical innovation, business model innovation, or Big 'I' innovation.

Incremental improvements occur through adopting small-scale suggestions in specific areas of the business. Each employee is in an expert position to propose improvements in his or her area. By exploiting these small changes across the entire company, the effect is multiplied, resulting in large benefits in the shape of cost savings, improved processes, and increased customer satisfaction.
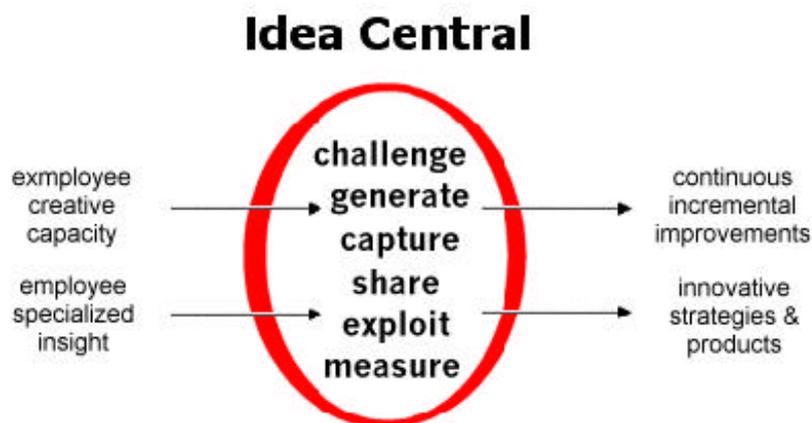
On the other hand, companies can leverage the same creative potential to seek out innovative solutions to their strategic challenges. Increased levels of education in today's society mean that most employees can make valuable contributions to the company's strategic goals. Their ideas broaden the scope of solutions for the most critical challenges and in many cases become the core of new ideas implemented at executive level, giving birth to new strategies and products.

The factors that prevent companies from extracting value from their collective potential depend less on employees' ability to be creative, than on the systems in place to capture and exploit their ideas. Most employees would contribute their ideas if appropriate methods and systems were in place to facilitate suggestions.

"The failure of large corporations in America to innovate is primarily the result of a communication gap, not a decline in ingenuity" - Rosenfeld and Servo (Kodak Office of Innovation, August 1984).

Ideas and suggestions present a form of "tacit" knowledge. The need to capture and share ideas therefore positions idea management as an important part of corporate knowledge management initiatives. However, traditional knowledge management efforts typically focus on the sharing of existing information held in repositories and their associated retrieval methods, rather than using employee creativity. As such, traditional knowledge management techniques have a number of drawbacks concerning innovation:

?? the task of making relevant knowledge explicit and keeping it up to date is time consuming and expensive

?? most information repositories are not forward-looking and do not necessarily inspire creative thought

?? repositories do not foster high levels of participation from employees

In comparison, an idea management system provides an opportunity to apply knowledge management methods to actively involve employees in increasing the company's competitiveness via the submission of ideas. In addition, unlike traditional knowledge management systems, an idea management system can return solid cash return-on-investment figures without the need to use subjective measuring techniques.

2. The Reality of Idea Management Systems

According to recent studies, the manufacturing sector is the most innovative when it comes to generating ideas from employees. Manufacturing industries have a long tradition of continuous and incremental improvements based on the quality movements started by Deming in the 1950s, and later Total Quality Management. Indeed the first recorded suggestion program was implemented at a Scottish shipyard in 1880 to reward workers for their improvement ideas.

The service sector has a remarkable low rate of suggestions compared with manufacturing industries. Employees are usually considered to be "knowledge workers" and one would expect this type of worker to be quite creative. However, there is a lot of skepticism in service companies, and likewise in the support departments of manufacturing companies, which contributes to the poor performance concerning idea generation. Interestingly, the insurance industry is far more productive in terms of ideas than the overall service sector. The reason for this is that the insurance market has become more competitive in recent years, particularly in Europe, and companies have realized that a quick way to improve their performance is by listening to and acting upon the suggestions of their staff.

Number of ideas in one year / 100 employees

Deutsches Institut für Betriebswirtschaft (DIB) in RKW-Zeitung 'Wirtschaft & Produktivität', April 1998
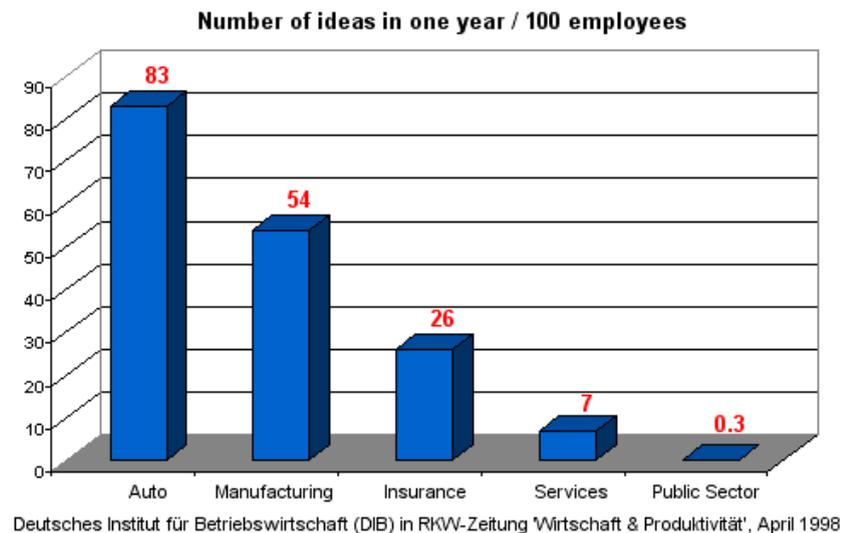
There is also a cultural dimension to suggestion programs. Japanese companies generate 100 times more ideas that their US counterparts. However, employees are rewarded with more tangible benefits in the US, presumably because of the merit-oriented business culture. Japan

generates a lot of ideas that deliver small-scale improvements, using the Kaizen approach to innovation. The US collects fewer ideas, but these ideas tend to have a greater impact on the business. According to the US Department of Commerce, the average cost saving per suggestion is $5,586, indicating that US companies prefer to focus on fewer high impact ideas.

Comparative Data on Corporate Suggestion Programs

	USA	Japan
Suggestions per Employee	0.16	18.5
Adoption Rate	38.7%	89.7%
Participation Rate	10.7%	74.3%
Average Award	$458	$4
Savings per Suggestion	$5,586	$176
Net Savings per Employee	$335	$3,250

Source: National Annual Report on Japanese Kaizen Systems, US Department of Commerce (95 – 96)[1]

Although many European and American companies already get substantial value from suggestion programs, their performance looks less impressive when compared to their Japanese counterparts.

The performance gap between industries and countries demonstrates that many organizations are not exploiting the potential of suggestion systems. The main reasons for this are misconceptions about creativity management, and a lack of processes and tools that respond to the critical requirements of creativity and idea assessment in an organizational context.

Whilst some companies report huge successes with paper-based approaches, the "suggestion box" of old is a typical example of how companies fail to harness the power of employee creativity. The business processes which support the suggestion box often do not encourage participation from potential contributors and are inefficient in the way that ideas are reviewed. Paper documents are transferred from desk to desk through a bureaucratic process that does not assess suggestions solely on their merit. Moreover, the process takes a long time during which

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[1] Data cited in "Corporate Creativity", Alan G. Robinson, Sam Stern, August 1998, Berrett-Koehler Publishing.

contributors receive little feedback if any. Ultimately, most contributors are discouraged from continuing their participation, and the company fails to create the necessary momentum to capture more ideas.

Interestingly, suggestion systems have a long track record as a management tool to help companies innovate and improve performance. The first documented suggestion system appeared in the 1770's in the British navy and the first suggestion box, as a physical place to store employee ideas, was introduced in the US in 1892 by NCR, followed closely by Siemens in Germany. Despite the long track record and experience, though, companies still struggle to make this a central part of innovation.

Other more sophisticated systems, such as simple web-based suggestion boxes, fail for similar reasons. Despite the electronic means of communication provided by these systems, they lack critical mechanisms to support an effective review process and to foster high levels of participation from idea creators. Overwhelmed by e-mails and electronic documents, reviewers follow the same "filter and pass the parcel" approach prevalent in paper-based systems. The lack of features to track progress and work collaboratively during the assessment process prevents companies from extracting value out of ideas. Moreover, these systems do not foster active involvement from idea creators because they provide insufficient feedback and they lack appropriate mechanisms to facilitate access to information.
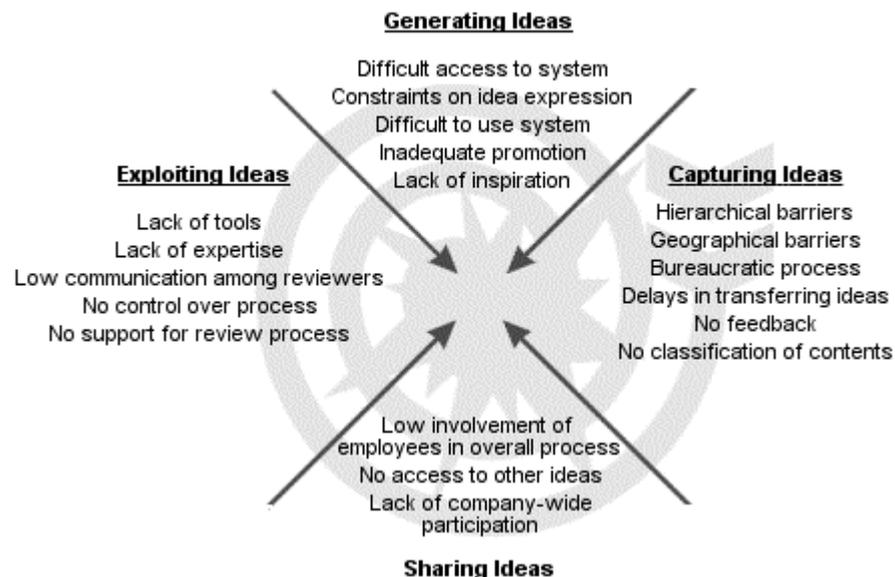
3. Negative Dynamics: Vicious Circle of Suggestion Systems

As mentioned before, many idea management initiatives do not reach their full potential because they do not take into account important success factors. These factors affect six main activities:

?? Developing a challenge

?? Generating ideas

?? Capturing ideas

?? Sharing ideas

?? Exploiting ideas

?? Measuring success

The positive interrelation between these activities determines the success of attracting and stimulating potential idea contributors, and ensuring that good ideas are adopted by the organization. Companies need to pay attention to the conditions surrounding these six activities in order to make sure that the suggestion system is set on a positive ("virtuous") path from the start and avoids the negative ("vicious") circle in which many companies find themselves.

Vicious Cycle of Suggestion Programs

Generating Ideas
Difficult access to system
Constraints on idea expression
Difficult to use system
Inadequate promotion
Lack of inspiration

Exploiting Ideas
Lack of tools
Lack of expertise
Low communication among reviewers
No control over process
No support for review process

Capturing Ideas
Hierarchical barriers
Geographical barriers
Bureaucratic process
Delays in transferring ideas
No feedback
No classification of contents

Sharing Ideas
Low involvement of
employees in overall process
No access to other ideas
Lack of company-wide
participation

Many suggestion systems are doomed to low levels of activity due to inappropriate ways of focussing, generating, capturing, sharing, and exploiting ideas as well as measuring the value of individual ideas and the value of the process overall. Consider the following scenario:

A suggestion system is launched with some internal promotion to make employees aware of the initiative. Inspired, some people come up with ideas that they are willing to share.

The system is based on the traditional suggestion box. The employee goes to the box and completes a form that is posted into the box. The form is quite small and so there is not much room to describe the idea, and in this case there is no carbon copy for the employee to keep as proof of posting. At this point the idea contributor wonders what will happen to the idea, and all the employee can do is wait.

The next step is the review process. Let us suppose the initiative is successful in collecting ideas. The manager responsible for assessment faces a difficult task: reviewing and prioritizing the ideas. There is no common structure in the ideas, and it is sometimes hard to read them, let alone make comparisons. The manager is rarely capable of reviewing all ideas and so he distributes them to more qualified people around the company.

The review process takes a long time, during which the idea creator receives no feedback. None of the ideas are shared at this stage and later only a few chosen ones are communicated around the company. The only person who knows about all ideas is the manager responsible for the initiative. Consequently, no one benefits from other people's input and employees become disillusioned with the initiative.
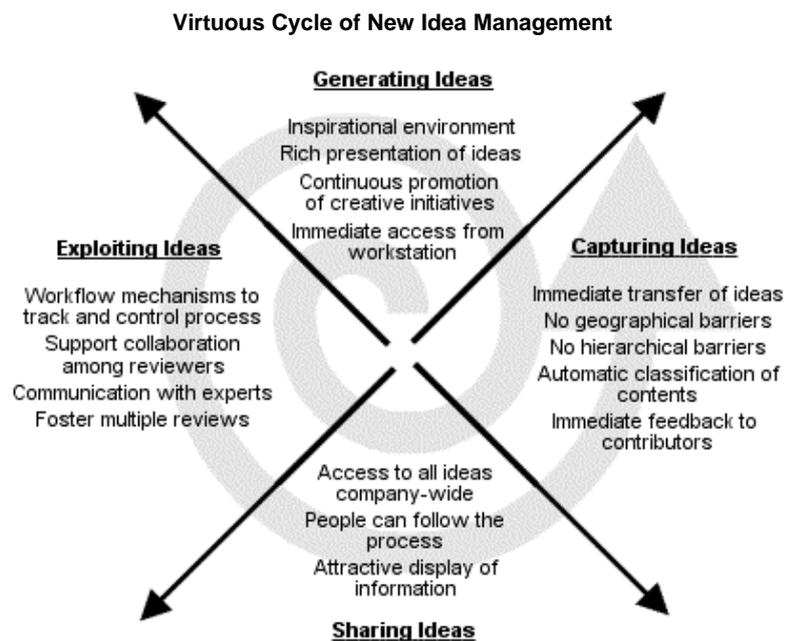
The review process results in a reasonable number of ideas to be implemented. Their contributors are rewarded with some form of prize, and the initiative is hailed as a success, based on a few anecdotal examples of cost savings from ideas. The suggestion system itself struggles to maintain momentum as the quality and volume of ideas goes down over time and management commitment wavers because of lack of interest.

In the worst case scenario, the number of ideas collected is very low and the quality poor. The program manager suffers through overly high expectations of success, and the negative results seem to demonstrate the management that either the company "is not ready for idea management", or that the project was a failure. As a result, management decides not to pursue the suggestion program and it will often take well over a year for the company to 'forgive' the past failure.

This scenario illustrates the workings of many suggestion programs. Low levels of employee participation are the result of poor internal marketing and a less-than-friendly process for submitting ideas. The format of the paper form does not allow ideas to be treated efficiently, thus making the revision process slow and opaque. Finally, ideas are not shared across the organization making it hard for the initiative to reach its full potential.

4. Positive Dynamics: Virtuous Circle of Employee Creativity

Despite the fact that many suggestion systems enter the vicious cycle of decreasing employee creativity, the situation can be dramatically improved by focusing on the positive aspects of the process. In this case, the dynamics are reversed to produce a virtuous circle, in which a company exploits its collective intellectual capital as a continuous source of competitive advantage.

Virtuous Cycle of New Idea Management

Generating Ideas

Inspirational environment
Rich presentation of ideas
Continuous promotion of creative initiatives
Immediate access from workstation

Exploiting Ideas

Workflow mechanisms to track and control process
Support collaboration among reviewers
Communication with experts
Foster multiple reviews

Capturing Ideas

Immediate transfer of ideas
No geographical barriers
No hierarchical barriers
Automatic classification of contents
Immediate feedback to contributors

Access to all ideas company-wide
People can follow the process
Attractive display of information

Sharing Ideas

The following scenario describes the virtuous cycle:

Before the suggestion sys tem is launched, the manager responsible for the initiative briefs executives to get their commitment for the project, and to gather challenges that provide a focus for the contributions. The manager recommends collecting ideas on an event basis, tackling current business problems rather than generic business ideas.

The launch is a combination of a carefully crafted, company-wide e-mail from a senior, well-respected executive and guidance to all managers advising them to spend some time

in management meetings discussing ideas for the period of the event. The e-mail sets expectations about what will be achieved with the initiative: collecting high quality, business-focused ideas that can be implemented, and rewarding people for their contributions. The mail also contains a link to an online idea management system. The application should be attractive and intuitive, and it should encourage people to put in their ideas, safe in the knowledge that management has committed to a fair review of the ideas.

The idea form itself is easy to understand – without any prior training - and allows people to put in text, graphics, spreadsheets, project plans – in short, whatever they consider necessary in order to describe it appropriately. They classify their idea according to the business areas that it concerns. This categorization makes it easier for the reviewers to allocate and prioritize the idea afterwards, which speeds up the review process.

Even at this early stage, everyone in the company can look at ideas. Most ideas are awaiting review, but they are available for sharing and idea development. Colleagues can comment on other people's ideas and get inspired to submit more ideas themselves. Reviewers take a quick look at newly submitted ideas and have the power to restrict access to ideas if they feel their topics are inappropriate, or fall outside the boundaries originally set. These ideas will still be reviewed - they are just withheld from the public.

New ideas are automatically made available for review, and the review team members, who have been assigned and trained prior to the event, are regularly alerted of new ideas. There are no barriers - geographical, hierarchical, or chronological - that delay the assessment of the ideas. The review process involves completing forms with common assessment criteria. The reviewers can also ask for advice from experts to help complete the review. Once several people have reviewed an idea, the team or a dedicated person decides on a conclusion concerning the implementation of the idea.

At all stages of the process, people are kept informed. The idea contributor gets a "Thank You" mail soon after the idea has been submitted, and another mail when the idea has been reviewed. In this way people feel as though they are still involved, and are encouraged to continue contributing good ideas.

The idea management system becomes an important source of inspiration to employees and managers alike because of the variety of ideas available. The environment for

creating and sharing ideas is very positive and conveys a strong sense of dynamism in the organization. As a consequence, the collective creative potential of employees can be channeled towards tackling the short and long term issues that face the organization.

Key to the success of the initiative is the review process. It consists of a series of steps leading to a decision regarding the idea, using a common set of criteria for assessing ideas through a selected team of people. The team should represent different business units and functions and not be exclusively comprised of senior managers. This helps to get a more balanced and realistic view of the potential of ideas. Reviewers have the responsibility of making sure that all ideas reach a conclusion within a reasonable timeframe that should be less than two months, and then informing the idea creators of the outcome.

Finally, the system generates performance metrics to allow the manager to evaluate the performance of the initiative against objectives, and present the results, and the top ideas to senior management for implementation.

Systems like this foster high level of employee participation, and ensure that ideas are exploited. Furthermore, the ability to share ideas creates a knowledge management environment to capture and propagate ideas across the organization. These positive dynamics give companies the opportunity to make idea management and innovation core activities of the company.

5. Critical Success Factors to Capitalize on Employee Creativity

The key to exploiting a company's creative potential is a coordinated approach to the six stages of the idea process. Idea Central addresses these stages and takes into account the relevant people issues that are involved in the process of challenging, generating, capturing, sharing, exploiting and measuring ideas.

A. Challenging Employees

In order to elicit relevant information and knowledge from employees, companies need to focus their creative efforts and provide them with a challenge that stirs their latent tacit knowledge.

Business Focus	Challenges have to provide an appropriate business focus for creative efforts to ensure that ideas collected are useful to the problems being faced by the organization
Event Focus	The success of a suggestion program is significantly enhanced if the company dedicates resources for the project. We recommend using Idea Central for limited periods of time to focus on particular business problems, usually around four weeks. This increases the chances of collecting ideas that are relevant for the business, instead of general business ideas (which we call "idea orphans'). It also means that the company can dedicate a skilled and motivated review team for the challenge, without requiring length, ongoing time commitments.
Good Wording	The way the challenge is phrased is important. It should be clear and concise, but complete in order to make sure that generated ideas are relevant to the business
Timeliness	Challenges should tackle issues that are currently being faced by the company so they have a better chance of being implemented in a timely manner

B. Generating Ideas

The environment for generating ideas has been adapted to the nature of the creative activity. Many suggestion systems are implemented without properly considering the behavior of idea contributors. Below are some of the main requirements that determine the success of a suggestion system in the area of generating ideas.

Promoting Initiatives	Suggestion programs need to be widely promoted in order to obtain high levels of participation. Successful initiatives need to include appealing ways of communicating with potential contributors. Sponsors of Idea Central are urged to send out introductory e-mails demonstrating management commitment to the project. Executives are invited to pose specific challenges, using Idea Central as a way of soliciting input on executive issues.
Challenging Contributors	The system itself can and should challenge potential idea creators. The environment where ideas are created and submitted should include high quality content and must convey a feeling of dynamism and activity. The content displayed in Idea Central has an inspirational effect on creators who can see other people's ideas and related questions from senior executives.
Friendly Interface	People are often uncomfortable when confronted with corporate suggestion systems. Doubts and difficulties in the process of submitting ideas can discourage people from making a contribution, decreasing the level of participation. Idea Central provides intuitive features that facilitate the task of creating ideas. A comprehensive user guide is included in the application to clarify potential questions, and there are help buttons to provide information on specific issues.
Widespread Access	It is very important that the system be accessible from the working environment because employees should be able to record and post their ideas when they occur. Idea Central can be accessed from the working environment at a click of a mouse button. For those who do not have ready access to a computer, simple paper forms are provided. An administrator enters the ideas into the system so the formal review process can take place.

C. Capturing Ideas

Capturing ideas is a critical step in the process. All idea management applications need to provide an easy way of capturing ideas, ideally without requiring prior training for idea contributors. Moreover, ideas should be collected in such a way that people other than the original author can access and understand them – the reviewers and everyone else in the organization.

Prompt Idea Collection	Idea Central presents ideas instantaneously to the reviewers. This is important because time delays between the submission of an idea and start of the review process can have a negative effect on people's attitude towards the system.
Overcoming Organizational Barriers	Idea Central captures the ideas in a central application and makes them available to everyone with access to the system. Ideas should not be restricted by organizational and geographic boundaries within a company. Often ideas are stuck inside a department and not shared with anyone else. Sometimes suggestions are held back in the management hierarchy and few people are aware that the ideas exist.
Idea Classification	A successful suggestion system can attract a significant number of ideas in a short time period. Idea classification into categories meaningful to the business (e.g. R & D, marketing, or manufacturing) greatly facilitates finding relevant ideas quickly, and helps reviewers focus their attention on ideas relevant to themselves.
No Constraints on Ideas	Idea Central provides an easy-to-complete form with no constraints on the type of information. Contributors can import graphics, tables, spreadsheets and text in order to express their ideas in the most effective way. Traditional paper-based systems do not allow for this richness of idea elaboration that can hamper communication of an idea.

D. Sharing Ideas

Sharing ideas throughout the organization is the critical factor in transforming a suggestion program into a highly effective knowledge management application. The intellectual capital captured from the minds of idea creators is leveraged by allowing everyone in the company to access ideas and make use of them appropriately. Sharing ideas among employees is also a motivator to generate more ideas. This makes use of the brainstorming rules, developed by Alex Osborne, that ideas are improved through people building on the ideas of others.

Access to Ideas	Everyone should have quick access to ideas, their own and other people's, promoting high levels of participation. Idea creators who see their ideas published get a feeling of satisfaction from having their ideas treated seriously.
Tracking Progress	One of the biggest needs is for idea creators to get timely and accurate feedback on what is happening to their idea. Idea Central has powerful automated functions to keep creators informed. For example, idea creators receive personalized messages when they submit ideas and when their idea has been reviewed and a conclusion reached. Decisions are published for everyone to see. There is also a "Progress Report" which contains a table of statistics on how many ideas have been created, reviewed, and implemented.
Stimulating Participation	Idea Central stimulates participation from employees by having instant ability to comment on ideas, conclusions and Best Practices. For example, people may want to share their experiences of implementing the idea. This feature produces two positive effects: it fosters greater levels of participation, and it enables people to expand and improve on ideas.

E. Exploiting Ideas

The ultimate objective of any suggestion system is to extract value from the ideas through implementation. Idea Central improves the likelihood that good ideas will be implemented via the quality of the review process and the focus of the initiative on implementation.

Path to Implementation	The conclusion of the review process involves a decision on the next steps, including assigning the task or project to an individual. The benefit of the event approach is that it is possible to define who will be responsible for the idea prior the event itself, based on the expectation of the type of ideas that will be submitted, thus simplifying the path to implementation.
Closed Review Area	Idea Central provides a private environment where reviewers can share opinions openly with their team members. Ideas can be assigned to the best-suited reviewers by matching their fields of expertise with the categories that are included in the idea.
Teamwork	Idea Central provides an environment where reviewers share their insights and co-ordinate their activities. Moreover, the "expert review" feature allows the review team to involve experts on specific issues where their outside help is required.
Multiple Reviews	Reviewers in Idea Central are encouraged to review as many ideas as possible. An idea benefits from a diversity of opinion regarding the potential for implementation. The conclusion of an idea should be the result of a consensus decision amongst the reviewers.

Scoring Against Criteria	Ideas should be assessed against a clearly defined set of criteria to support a fair review process. In Idea Central the project leader provides up to 10 criteria against which an idea is rated using a scale from 0-10. This mechanism requires reviewers to address a variety of critical factors, providing an aggregated score. It enables an easy consolidation of reviews to reach a conclusion and helps in prioritizing the idea.
Quantifying Value	An organization can only implement a limited number of suggestions and needs to focus on those which promise the most significant gains. In the Idea Central conclusion to an idea, reviewers are asked to quantify its expected benefits. The projected cost savings and revenue increases are summarized in the Progress Report to get an overview over the success of the event.

F. Measuring Performance

It is important to measure the performance of an idea management initiative in order to demonstrate the success of such innovation projects, as well as helping project managers improve their processes and methods.

Setting Targets	One of the best ways to ensure project success is to determine the success measures up front. This provides focus to the initiative and gives project managers the opportunity to make changes to their approach and methods to achieve the desired result. Examples of performance targets includes participation rates for employee contributions, the absolute number of ideas, the rate of contributions, the quality of ideas, and the anticipated returns from the best ideas. Imaginatik's methodology, as described in the Deployment Guide, helps companies make these decisions, and the software supports the deliver of the required information.
Demonstrating Success	Typically executives require three types of performance information after an event: how many ideas were generated, an estimate of the potential return from the best ideas, and a list of the top ideas for discussion and review. Idea Central provides in-built tools, such as the Progress Report, to provide this information quickly and easily.

6. Conclusion

This paper has discussed the importance of idea management systems and it's role in innovation and improvement projects within organizations. Suggestion programs hold great potential in their ability to harness the creative capacity of employees to address critical business problems.

As one of the oldest management tools for innovation, there is evidence of great success but this is tempered by the poor experience from the traditional suggestion box concept that suffers from several major drawbacks. However, careful attention to the main steps in the idea management process, namely generating, capturing, sharing, exploiting, and measuring ideas, greatly increases the likelihood of success. The positive dynamics of a successful idea management system, such as Imaginatik's Idea Central, mean that companies who take advantage of this approach can use idea management as an important source of potentially unlimited competitive advantage.

7. Contact Details

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