

UNLOCKING THE POWER
IN BOTTOM-UP IDEAS

The
Idea-Driven
ORGANIZATION

Alan G. Robinson
and Dean M. Schroeder

Authors of the bestselling **IDEAS ARE FREE**

Praise for *The Idea-Driven Organization*



“The Idea-Driven Organization is so reasonable that the magnitude of its change message is easy to miss. The richness of the examples from all over the world make it fun to read, and the authors convincingly demonstrate the power of incorporating front-line thinking into your organization.”

— Marshall Goldsmith | Author of the New York Times bestsellers *Mojo* and *What Got You*



“As leaders, we need to create an environment that effectively draws employee ideas out and empowers implementation. The Idea-Driven Organization provides a practical map on how to get there.”

— Jeff Nagel | CEO of NBTY, Inc.



“Robinson and Schroeder have written a manifesto that might very well spark a revolution. They show us how the ideas generated by the knowledge and creativity of front-line employees can help any organization, large or small, become more efficient, more productive, more innovative. I say let the revolution begin.”

— Stan Rosenberg | Massachusetts Senate Majority Leader



“All outcomes measures are influenced by one critical factor: the number of employee ideas implemented by the front-line employees themselves. Alan Robinson and Dean Schroeder present research findings in many companies and industries that clearly confirm this but also explain how great leaders make it happen.”

— John Toussaint | Former CEO of ThedaCare
Author of *On The Mend* and *Potent Medicine*

Praise for *The Idea-Driven Organization*



“The idea-driven organization is one that steadfastly listens to its people to ensure the organization remains safe, responsible, productive, and continuously improving. Robinson and Schroeder provide an insightful guide for leaders who are vested in engaging the minds of their front-line employees.”

— Kevin Crutchfield | Chairman & CEO of Alpha Natural Resources



“No one has captured the rationale of how-tos for achieving business results through frontline involvement as elegantly and convincingly as Schroeder and Robinson have. Learning how to unleash the significant power of ideas is quite possibly the most important leadership skill needed today.”

— Karen Martin | The Karen Martin Group
Author of *The Outstanding Organization*



“The Idea-Driven Organization does not focus on some consultant-created magic formula but offers practical concepts for promoting employee ideas that you can read and implement on your own. This book is indispensable for any leader who wants to truly engage his or her employees.”

— Corey Rosen, PHD | Founder & Former Executive Director National Center for Employee Ownership



“The Idea-Driven Organization is an exciting book that makes a compelling case for a simple but very powerful concept—business leaders who learn how to leverage the know-how and ideas of their frontline people will have a major winning edge because most of their competitors either don’t get it or don’t know how to do it. The detailed and provocative case examples are a major strength of the book—they show how business leaders can put ideas into action by tapping the expertise in their own organization.”

— Lee Bolman, coauthor of *Reframing Organizations*

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Alan G. Robinson
Dean M. Schroeder



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*To Margaret, Phoebe,
and Margot*

*To Kate, Lexie,
Liz, and Tori*

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PREFACE

AFTER YEARS OF BEING ASKED to do more with less, managers are increasingly aware that they cannot produce the results that are expected of them with the organizations they currently have and the methods they currently use.

We have now been doing more with less for so long that we have reached a point where further demands can no longer be met by simply tweaking our existing organizations or management methods. Cutting wages, perks, and benefits and pushing people to work harder can go only so far. A different approach is needed. Interestingly, the best solution involves the very people that have been bearing the brunt of the cost so far: ordinary employees.

Every day, front-line employees see many problems and opportunities that their managers do not. They have plenty of ideas to improve productivity and customer service, to offer new or better products or services, or to enhance their organizations in other ways. But their organizations usually do better at suppressing these ideas than promoting them.

In our experience, most managers have difficulty believing that there is enough value in employee ideas to justify the effort of going after them. But as we shall explain, some *80 percent* of an organization's potential for improvement lies in front-line ideas. This fact means that organizations that are not set up to listen to and act on front-line ideas are using at best only a fifth of their improvement engines. And much of their innovation potential is locked up in the same way. When managers gain the ability

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to implement twenty, fifty, or even a hundred ideas per person per year, *everything changes*.

Today, a growing number of idea-driven organizations have become very good at promoting front-line ideas and as a result are reaching extraordinary levels of performance. Whereas traditional organizations are directed and driven from the top, idea-driven organizations are directed from the top but are *driven by ideas from the bottom*.

A number of years ago, we wrote *Ideas Are Free*, in which we articulated and documented what becomes possible when an organization aggressively pursues front-line ideas. We described companies with the best idea systems in the world and the extraordinary advantages these systems provide. This vision attracted numerous leaders and managers around the world. Some ran with it and were quite successful. But others struggled. We began to get a lot of calls for help.

As we worked alongside managers and leaders trying to implement high-performance idea systems, we learned two important lessons. First, while getting the mechanics of an idea process right is certainly important, to get good results from it often requires significant changes in the way an organization is led, structured, and managed. Second, whereas it is one thing to understand how idea-driven organizations work, it is quite another to know how to create one. These realizations are what led us to write this book.

We began to study the process by which organizations become idea driven. We dug deeply into the operating contexts of many idea-driven organizations, to learn how they accomplished what they did. We also looked at organizations that were just taking their first steps toward becoming idea driven and followed them in near-real time to get a richer understanding of precisely what *works*, and what *does not*, along the way. At the same time, our work with leaders and managers who asked for help allowed us to test, refine, and then retest the concepts and advice in this book.

In some ways this book is about instigating nothing short of a revolution in the way organizations are run. But at the same time, we have tried to lay out a logical, incremental, learn-as-you-go approach to creating an idea-driven organization. Still, this is not an easy journey, and managers

choosing to take it will need courage and persistence, as the transformation will take time and effort. But the lessons in this book will guide them in making the necessary changes with far less pain than their pioneering predecessors, and to quickly producing significant bottom-line results.

The bottom line is this: Idea-driven organizations have many times the improvement and innovation capability of their traditional counterparts. If you learn how to tap the ideas of your front-line workers, you can truly break free of the reductionist “more with less” mindset. You and your employees will thrive in environments where you once would have struggled to survive.

A final note: A lot can be learned by failure. Because we want to share examples of failure without embarrassing the people involved, our policy was to disguise the names of people and institutions whose stories might be construed in any way as negative.

1

The Power in Front-Line Ideas

WHAT IS THE BIGGEST SHORTFALL in the way we practice management today? With all the money pouring into business schools and executive education, and all the books, articles and experts to consult, why do so many organizations still fall so painfully short of their potential? What have their leaders and managers been missing?

There is no single reason for the less-than-brilliant performance of these organizations, of course, but one limiting factor is clear. Very few managers know how to effectively tap the biggest source of performance improvement available to them—namely, the creativity and knowledge of the people who work for them.

Every day, these people see problems and opportunities that their managers do not. They are full of ideas to save money or time; increase revenue; make their jobs easier; improve productivity, quality, and the customer experience; or make their organizations better in some other way.

For more than a century, people have dabbled with various approaches to promoting employee ideas, but with little real success. In recent years, however, the picture has changed. As we shall see, companies with the best idea systems in the world now routinely implement twenty, fifty, or even a hundred ideas per person per year. As a result they perform at extraordinarily high levels and are able to consistently deliver innovative new

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products and services. Their customers enjoy working with them, and they are rewarding places to work.

This book is about how to build such an organization—an *idea-driven organization*—one designed and led to systematically seek and implement large numbers of (mostly small) ideas from *everyone*, but particularly from the people on the front lines. We are aware, of course, that many organizations are famous for their innovativeness but are *not* idea driven in our sense, because the preponderance of their ideas comes from a handful of highly creative departments or perhaps a lone genius. But however successful these organizations already are, they would be even more successful, and more sustainably innovative, if they were to become idea driven.

As an example of an idea-driven organization, let us look at Brasilata, which has been consistently named as one of the most innovative companies in Brazil by the FINEP (Financiadora de Estudos e Projetos), that country's science and development agency. Surprisingly, Brasilata is in the steel can industry, a two-hundred-year-old industry that was viewed as mature before the Soviet Union launched *Sputnik* in 1957. And yet 75 percent of Brasilata's products either are protected by patents or have been developed within the last five years. How can a company in such a mature industry be as innovative as Brazil's more well-known and high-flying technology, aerospace, energy, cosmetics, and fashion companies? Every year, Brasilata's nearly 1,000 "inventors" (the job titles of its front-line employees) come up with some 150,000 ideas, 90 percent of which are implemented.

Building an idea-driven organization such as Brasilata is not easy. There is a lot to know, much of which is counterintuitive. It took almost twenty years for Antonio Texeira, Brasilata's CEO, to build the processes and culture capable of this kind of idea performance. He and his leadership team had no readily available models to follow, no classes they could attend, and no experts to call for advice. They had to figure things out as they went.

Today, there is a small but growing number of idea-driven organizations, and their collective experiences allow us to ferret out what *works* and what *doesn't* when it comes to managing front-line ideas. This book lays out the general principles involved and describes how to methodically transform an ordinary organization into one that is idea driven. But before we get into how to do this, let us get a better sense of the power of front-line

ideas by delving in some detail into another idea-driven organization—a company in Sweden whose idea system has won several national awards.

THE CLARION-STOCKHOLM HOTEL

The Clarion-Stockholm is a four-star hotel located in the center of Stockholm. It routinely averages more than fifty ideas per year from each of its employees—about one idea per person per week. One reason that Clarion employees are able to come up with so many ideas is that they have been trained to look for problems and opportunities to improve. For example, every time a guest complains, asks a question, or seems confused, staff members do all they can to fully understand the issue. If staffers have an idea to address the issue, they enter it into a special computer application. If not, they enter just the raw problem. Each department has a weekly idea meeting to review its ideas and problems, and decide on the actions it wants to take on each of them.

We met with several bartenders and went through all of their department's ideas from a randomly selected month. A sample of them is listed in Table 1.1.

As you read through these ideas, notice five things. First, the ideas are responding to problems and opportunities that are easily seen by the bar staff, but not so readily by their managers. How would the managers know that customers are asking for organic cocktails (Tess's idea) or vitamin shots (Fredrik's idea), or that the bartenders could serve more beer if an extra beer tap were added (Marin's idea)? Such insights come much more easily to employees who are serving the customers directly.

Second, most of the ideas are small and straightforward. They don't require much work to analyze and are inexpensive to implement. How difficult is it for the conference sales department to give the bartenders a "heads-up" that it will be meeting in the bar with a customer who is considering booking a major event (Nadia's idea)? And how hard is it to increase the font size of the print on coupons given to conference participants so as to clarify what they mean (Marco's idea) or to give the restaurant staff a tasting of the new bar cocktails so they can sell them more effectively to their diners (Tim's idea)?

TABLE 1.1 Ideas from the Clarion-Stockholm bar

<i>Marco</i>	Get maintenance to drill three holes in the floor behind the bar and install pipes so bartenders can drop bottles directly into the recycling bins in the basement.
<i>Reza</i>	When things are slow in the bar, mix drinks at the tables so the guests get a show.
<i>Nadia</i>	Many customers ask if we serve afternoon tea. Currently, there is no hotel in the entire south of Stockholm that does. I suggest we start doing this.
<i>Tess</i>	Have an organic cocktail. Customers often ask for them, and we don't offer one.
<i>Nadia</i>	Clarion conference and event sales staff often meet prospective customers in the bar. Give the bar staff information in advance about the prospects so they can be on alert and do something special.
<i>Tim</i>	Whenever the bar introduces a new cocktail, have a tasting for the restaurant staff, just as the restaurant always does when a new menu or menu item is introduced, so servers know what they are selling.
<i>Fredrik</i>	When the bar opens at 9:30 in the morning, many guests ask for vitamin shots (special blends of fruit juices). Put these on the menu.
<i>Nadia</i>	Have maintenance build some shelves in an unused area in the staff access corridor behind the bar for glasses. Currently, there is so little space for glasses in the bar that they are stored upstairs in the kitchen, and it takes 30 minutes, several times a night, for one of the two bartenders to go and get glasses, which means lost sales.
<i>Marco</i>	In the upstairs bar, we have to spend an hour bringing up all the alcohol from downstairs when we open and putting it away when we close. We wouldn't have to do this if locks were installed on the cabinets in the bar.
<i>Marin</i>	On our receipts, when guests pay with Eurocard, it says "Euro." This confuses many guests, who think they have been charged in euros instead of kronor. Get the accounting department to contact our Eurocard provider to see if we can change the header on the receipts.
<i>Nadia</i>	The bartending staff often act as concierges, telling people about the hotel, local shops, restaurants, and attractions, and giving directions. We have a concierge video that we show on our website. Offer this on the TVs in all hotel rooms.
<i>Tess</i>	Currently we close at 10 p.m. on Sundays, and many guests complain about this. Because we have a red dot on our liquor license from a single violation many years ago, we must have four security guards in the bar to be open after 10 on Sundays, and this is too expensive. Apply to have red dot removed, and then we can stay open with only one security guard.

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TABLE 1.1 (continued) Ideas from the Clarion-Stockholm bar

<i>Nadia</i>	The late night security guards are sometimes curt and rude to the customers (the security service is subcontracted). These guards should be required to take the same “Attitude at Clarion” training that all Clarion staff take.
<i>Marco</i>	Increase the font size and make clearer that the coupons that conferences give out are for <i>discounts</i> at the bar, not for <i>free drinks</i> .
<i>Nadia</i>	Have the kitchen mark the prewrapped ham sandwiches that the bar sells. Bar staff currently have to cut them in half to tell the difference between them and the ham-and-cheese sandwiches.
<i>Marin</i>	Put an extra beer tap in the bar, so we can sell more beer. Currently, there is only one, and it is a bottleneck.
<i>Nadia</i>	Have maintenance put some sandpaper safety strips on the handicapped ramp in the bar. Children currently use it as a slide, and the bar staff has to deal with minor scrapes and cuts on a daily basis.
<i>Nadia</i>	Give the bar staff information about how many guests are staying in the hotel, so they can stock and staff the bar appropriately.

Third, the ideas are neither scattershot nor self-serving. They systematically drive performance improvement in key strategic areas for the hotel. They *improve customer service*, *increase productivity*, and make the bar a *better place to work*—in many cases doing all three at the same time. Before Marco’s idea to drill three holes for tubes through the floor to allow the bar staff to drop recyclable cans and bottles directly into bins in the basement, once an hour a bartender had to lug a plastic tub of empties down long hallways and a flight of stairs to the basement, and then separate them into three different bins. This chore took a bartender away from serving customers for roughly ten minutes. One bartender commented that whenever one of them left the bar during a busy period to empty the recyclables tub, “You could watch sales go down.” As their ideas free up time from unpleasant and non-value-adding work, the bartenders can do more for the customers, such as giving them a show at their tables when

they order special mixed drinks (Reza's idea). And imagine how much more the upstairs bartenders look forward to their work when they do not have to begin their day by lugging the entire bar stock upstairs, and finish it by returning the bar stock to the special locked storeroom downstairs (Marco's idea). Making the hotel a better place for staff to work also affects the way they interact with their customers.

Fourth, these ideas pick up on important but intangible aspects of the bar's operations and environment. How many customers will no longer be driven away by rude security guards or rowdy children sliding down the handicapped ramp (Nadia's ideas)? In the hospitality industry, these intangibles often determine whether customers return or not.

Fifth, taken as a whole, the ideas illustrate the profound understanding the staff has of the bar's capabilities and customers, an understanding that only people working on the front lines can possess.

While the list of ideas from the bar is certainly impressive, what is more impressive is that every department in the Clarion-Stockholm implements a similar list of ideas every month and has been doing so for a number of years. Each of these ideas enhances the hotel in some small way, and over time their cumulative impact is huge. This level of idea performance does not happen by accident. It takes a leadership team that (1) appreciates the power of front-line ideas to move their organization in a desired direction, (2) is willing to make them a priority, (3) aligns the hotel's systems and policies to support them, (4) holds managers accountable for encouraging and implementing them, and (5) provides the necessary resources to run an idea-driven organization. The payoff, in this case, is a hotel capable of delivering better service at a more competitive price, a fact that is certainly noticed and appreciated by its guests. On one of our visits to Stockholm, when Sweden was feeling the impact of the global recession, we couldn't get rooms at the Clarion. The hotel was fully booked for most of the next *nine months*.

Employee ideas have certainly helped the Clarion in a number of important ways. But what many leaders want to know is this: how big an impact can a good idea system really have? Just across Stockholm, we found a company that had actually measured this impact.

THE IMPACT OF FRONT-LINE IDEAS: THE 80/20 PRINCIPLE

Several years ago, Coca-Cola Stockholm was struggling with a messy problem on its half-liter Coke bottling line. After being filled and capped, the bottles would zoom around a ninety-degree corner before passing an electronic eye that would scan each bottle in order to assure that it had been properly filled. If not, an air piston would activate and push the improperly filled bottle off the line. As long as the bottles were properly spaced, the process worked quite well. Unfortunately, the bottles would sometimes bunch together as they rounded the corner. Then, when the air piston pushed a bottle into the rejection chute, the next bottle (which was in contact with the first) would be shifted slightly, sometimes causing it to hit the edge of the chute, tip over, and block the line. Ten bottles per second would then slam into the fallen bottle and Coke would fly everywhere, creating a huge mess and ruining many bottles before the operator could stop the line. This disruption to production occurred two or three times per day.

Two Six Sigma black belt project teams had failed to solve the problem, which they determined to be caused by friction between the bottles and the corner guide.¹ The teams had fiddled with many variables—the line speed, different kinds of lubricating strips along the curve guide, and the spacing of the bottles—but with little success. In the end, both teams could only come up with faster ways to clean up the mess after each incident.

Ironically, after the black belt teams failed, the problem was solved by a simple idea from one of the bottling-line workers. His solution was to reduce the contact surface area between the guide and the bottles. By slipping a steel washer in between the guide and its mounting bracket, the guide was cocked slightly inward so that only its upper edge touched the bottle (see Figure 1.1). This lowered the friction enough to keep the bottles from bunching. The idea saved a lot of hassle cleaning up the spills, reduced downtime on the bottling line, and eliminated the need to dispose of about \$15,000 worth of damaged products per year. And this was only one of 1,720 front-line ideas implemented that year.

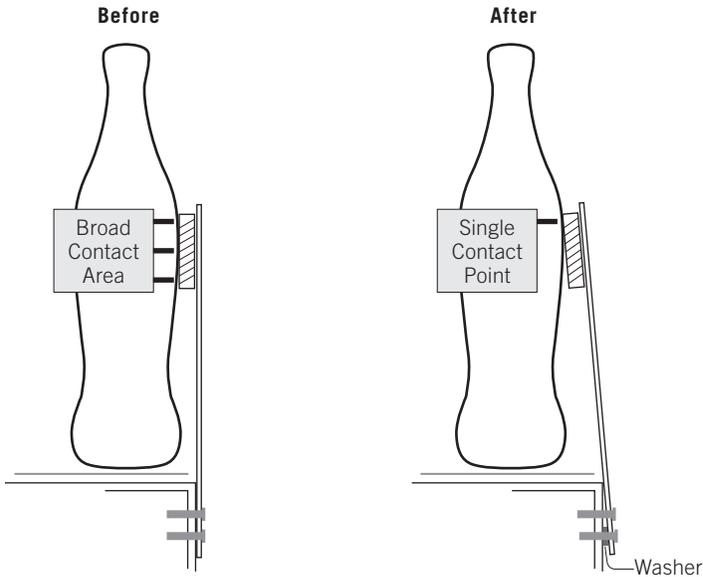
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FIGURE 1.1 Half-liter bottle idea



Interestingly, a few years before, Coca-Cola headquarters had required all corporate-owned bottlers to implement Six Sigma as a way to drive improvement. Each unit was expected to (1) train a cadre of black and green belts, (2) focus on Six Sigma improvement projects that would generate large documentable monetary savings, and (3) strive for high bottling capacity utilization. The implementation of Six Sigma on top of an effective idea system provided a rare opportunity to compare the relative impact of *management-driven* and *front-line-driven* approaches to improvement. Before joining Coca-Cola, the managing director had worked at Scania, the Swedish truck maker, which placed strong emphasis on front-line ideas. When she arrived at Coca-Cola Stockholm, one of her first actions had been to put a high-performing idea system in place. By the time the Six Sigma initiative was fully operational, the bottling unit was implementing fifteen ideas per person per year.

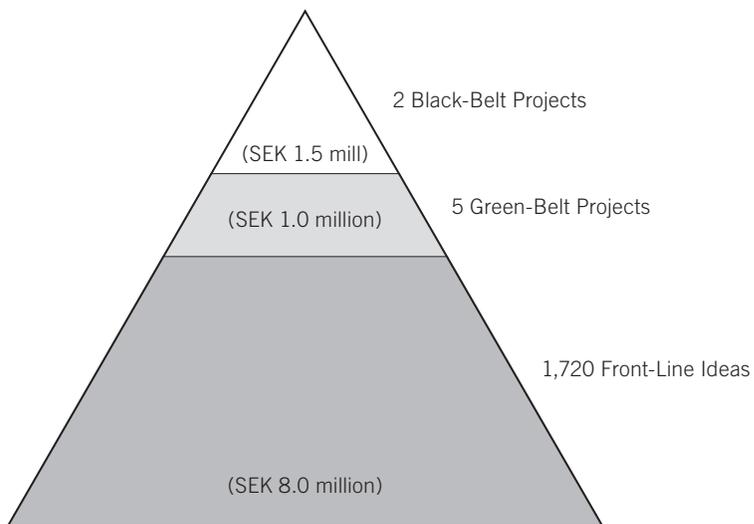
The managing director used the exhibit shown in Figure 1.2 to illustrate the relative contribution of each source of cost-saving improvements.

In 2007, for example, two black belt and five green belt Six Sigma projects were completed, for savings that totaled 2.5 million Swedish kronor (SEK) (1 USD was then about 6 SEK). But the 1,720 front-line ideas generated some 8 million SEK in savings, or 76 percent of overall improvement. Armed with this insight, the company increased its emphasis on employee ideas; and in 2008, this percentage increased to 83 percent. In 2010, the company stopped tracking the cost savings from front-line ideas because the financial benefits from them were clear.

All these ideas helped Coca-Cola Stockholm surpass its peers in almost all the primary performance categories for bottling plants. Globally, it ranked first in productivity, quality, safety, environmental performance, and customer fulfillment rate. The only key metric in which Stockholm was not the top performer was *capacity utilization*. Standing in the mid-60 percent utilization range, its rank on this metric was merely average. The managing director told us that this was because the large number of front-line improvement ideas was constantly increasing her bottling capacity.

The Coca-Cola improvement data reflect what we have come to call the *80/20 Principle of Improvement*: roughly 80 percent of an organization's

FIGURE 1.2 Coca-Cola Stockholm improvement results



performance improvement potential lies in front-line ideas, and only 20 percent in management-driven initiatives.

Managers can find it very difficult to accept the fact that front-line ideas offer *four times* the improvement potential of their own. But we have witnessed many examples. A case in point: Several years ago, a U.S. Navy technical support base was being pushed hard to increase its levels of support, while at the same time pressure on the defense budget was forcing it to make severe cuts. The base commander saw a high-performing idea system as a way to deal with these conflicting demands and asked us for help.

During one of our early training sessions, several upper and middle managers expressed skepticism about devoting valuable leadership attention to getting front-line ideas. In the ensuing discussion, we brought up the 80/20 principle and pointed out that if the laboratory did not go after front-line ideas, it would be trying to make headway with at most 20 percent of its innovation and cost-saving capability. One of the skeptics, the base's top improvement expert and a Lean Six Sigma Master Black Belt, suddenly got up and left the room.

He returned a short time later and reported that he had thought the 80/20 assertion was overstated, so he had left to check it against the base's own data. While the base's Lean Six Sigma program was intended primarily as a tool for management-driven improvement, it did allow "grassroots" projects to be initiated by front-line staff. The Master Black Belt had pulled the data on the previous year's projects and separated out the savings from the grassroots projects. The leadership team had budgeted \$6.8 million in savings from Lean Six Sigma—\$5.4 million (79.4 percent) from management-initiated projects and \$1.4 million (20.6 percent) from front-line initiated projects. But the actual savings turned out to be only \$1.2 million (17.6 percent) from management-initiated projects, and \$5.6 million (82.4 percent) from grassroots projects—the opposite of what had been anticipated.

Ironically, when we first encountered the 80/20 phenomenon many years ago at a Dana auto parts manufacturing plant in Cape Girardeau, Missouri, we didn't believe it, either. At the time, the three-hundred-person operation was implementing some thirty-six ideas per person per year. While we were talking with the plant manager, he casually mentioned

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that 80 percent of his operation's improvement came from front-line ideas. We had already studied and worked with idea systems for over a decade by then and, even with everything we had seen, didn't take his statement literally. To us, it was simply a self-effacing comment and a generous recognition of his front-line people. But it did get us thinking about the relative impact of front-line ideas. We started collecting data whenever we came across it, and over the years have found it to be surprisingly consistent. Across organizations in services, manufacturing, health care, and government, 80 percent of an organization's improvement potential lies in front-line ideas.

In our experience, when leaders become convinced of the validity of the 80/20 principle, they realize what they have been missing and want a high-performing idea system in their organizations. However, they need to be careful. There is a lot more involved in getting these ideas than simply setting up an idea process and layering it onto an existing organization.

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ABOUT THE AUTHORS

Alan G. Robinson and Dean M. Schroeder are award-winning authors, consultants, and educators. They are the coauthors of the bestseller *Ideas Are Free: How the Idea Revolution Is Liberating People and Transforming Organizations*. Between them, they have advised hundreds of organizations in more than twenty-five countries around the world on how to improve their creativity, innovativeness, and overall performance.



Alan Robinson has authored or coauthored seven books and more than sixty articles. His book *Corporate Creativity*, coauthored with Sam Stern, was a finalist for the *Financial Times*/Booz Allen & Hamilton Global Best Business Book Award, and it was named “Book of the Year” by the Academy of Human Resource Management. He has a PhD from the Whiting School of Engineering at the Johns Hopkins University and a BA/MA in mathematics from the University of Cambridge. He teaches at the Isenberg School of Management at the University of Massachusetts at Amherst.



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For more about how to unlock the power in bottom-up ideas in your organization, visit the authors’ website at www.idea-driven.com.

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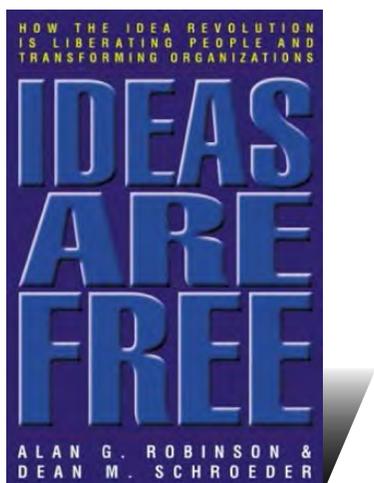
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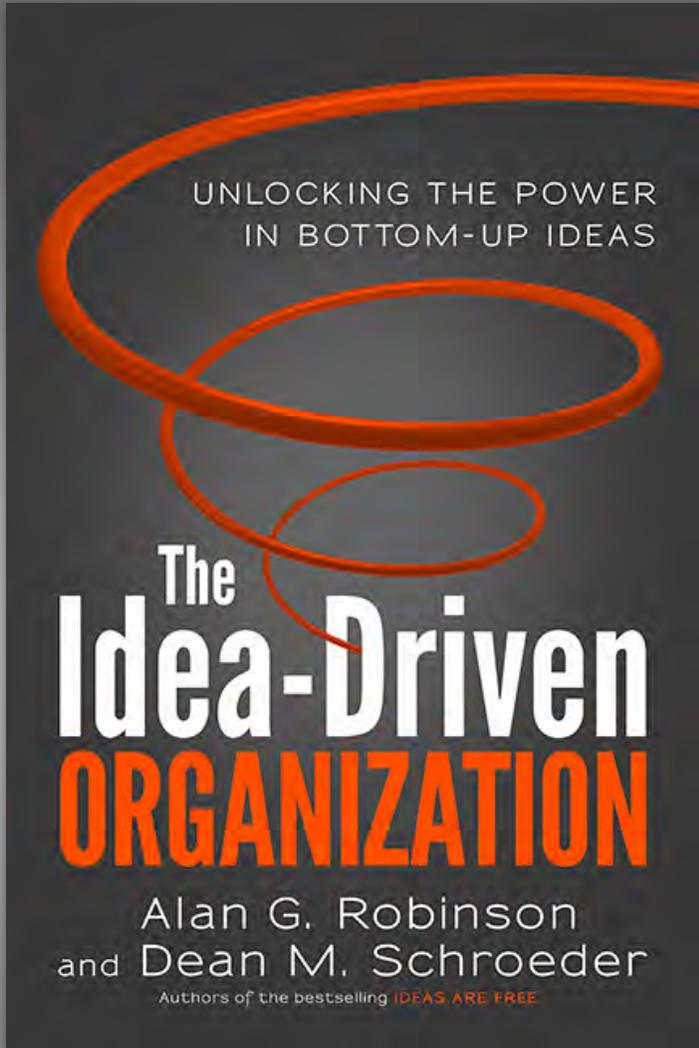
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