

FORETHOUGHT INNOVATION

\$152,000 for Your Thoughts

by Gary Carini and Bill Townsend

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To draw out employees' creativity, get tougher on them. Don't let them get away with summarizing their ideas on simple forms. Make them prove their concepts' viability, right from the start.

That advice may sound counterproductive, considering the dearth of worthwhile innovations that are emerging from the rank and file. In our interviews over the past 12 years with more than 300 managers in technology, media, venture capital, and other fields, executives have said that employees don't come close to filling the need for workable ideas. So why would we recommend raising the bar?

Because putting the burden of proof on the proposers results in well-formed ideas and knowledgeable, motivated employees who understand the value of their innovations. Raising the bar won't stifle innovation as long as the company couples that policy with the right support and incentives for encouraging employee entrepreneurship. Companies must give workers the tools to prove their ideas' worth—in other words, firms must teach the economics of innovations. Managers must repeatedly instill in employees' minds the concept that ideas are valued. The process for reviewing proposals must move quickly.

Companies must also put serious rewards on the table. All too often, bonuses don't inspire employees to shape and articulate their ideas. We estimate that in most companies, the ratio of employee reward to savings or increased revenue from innovation is about .001%, or \$100 for that \$10 million idea.

Firms should establish specific and trackable rewards or bonuses, preferably a set percentage of the savings or the increased net, and should publicize success stories internally. Companies that required employees to present business cases for their ideas and offered substantial rewards saw the number of workable innovations rise significantly. (We've found in-

creases in the 20% to 40% range, depending on a variety of factors and baseline conditions.) Firms that had implemented such programs but discontinued them, usually as a short-sighted cost-cutting measure, observed a significant decline in workable innovations, our research shows.

Interminds, the consulting firm that one of us (Bill Townsend) founded, is a good example of a company that puts its money where its mouth is. An employee who comes up with an idea to save money while promoting the company's vision gets half of the first year's savings. The policy was instrumental in drawing a great idea from a \$38,000-a-year executive assistant. Her process improvement was to automate the laborious system of manually tracking 900 field representatives. She built the business case with an individual in the finance department. The company implemented her plan and saved \$304,000 in the first year. She earned a \$152,000 bonus.

This was a success story for Interminds' employee entrepreneurship program, which proved its value in generating a money-saving idea and in energizing an employee to think more creatively about her job. This new attitude became contagious at the firm. It can happen at your company, too.

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