SUGGESTION SYSTEM AS THE PERFECT TOOL FOR ENTREPRENEURS TO BE SUCCESSFUL IN NEW ZEALAND: SOME EMPIRICAL EVIDENCE

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ABSTRACT

Employees have ideas regardless of whether or not the environment is conducive but will not submit it if the environment is not supportive. A suggestion system is as a formal procedure encouraging employees to think creatively about their work and environment to produce ideas. Entrepreneurs should be creative and innovative and use any possible tool that contributes to their survival. One of the most under valued tools available is the suggestion system. The success of it depends on the entrepreneur’s commitment and involvement, proper policies, procedures and rules, an affective administration and processing process, objective evaluation of ideas and a fair recognition or rewarding system.

This paper reports on research executed through qualitative research with structured interviews in 21 organisations in New Zealand. A 100% response rate was achieved. To train and involve all the people about the value of the system will help to be effective in using suggestion systems as a tool. Software should be used to administer and to manage the process effectively and efficiently. A flow chart was developed by the authors to assist with the use of the system. It was found that entrepreneurs or managers will always play a pivotal role in the use of the suggestion system as a tool on the road to success.

INTRODUCTION

The view of Herrington (2007) is that entrepreneurship is not a natural process in some countries and it should be managed until it becomes a more ordinary part of the daily existence. In order to survive in the current competitive economies in New Zealand, entrepreneurs should be creative and innovative and use any possible tool that contributes to their survival. One of the most under valued tools available is the suggestion system. To give stature and structure to the success of the system will, however, depend on a number of factors, such as the entrepreneur’s commitment and involvement, proper policies, procedures and rules, an affective administration and processing process, objective evaluation of ideas and a fair recognition or rewarding system.
It is necessary for entrepreneurs to have a profound re-think of suggestion systems and what to do with the information gathered from employees to increase their profits, retain their workforce and sustain their competitive advantage. In order to survive in the current competitive economies globally, organisations should use any possible management tool that contributes to their survival. Supporting this statement is data from Statistics New Zealand (2008) that reveal that 86.8% of businesses in New Zealand generally have 5 and less employees in service with only 3.6% of businesses in New Zealand having 20 or more employees in service. Therefore entrepreneurs should use any possible tool to assist or help them to grow and to be successful.

There is an increasing sentiment to “act locally but think globally” resulting in community-based entrepreneurship becoming more important in encouraging businesses and public policy practitioners to focus on the significance of people working together to facilitate regional development (Kapelus, 2002; Lyons, 2002). Community-based entrepreneurship can be defined as “a community acting corporately as both entrepreneur and enterprise in pursuit of the common good” (Peredo and Chrisman, 2006). They further refer to community-based entrepreneurship as involving a process through which new enterprises are created and operate in a community’s existing social structure.

In this paper the respondents’ responses are discussed, with the main findings and results of the research confirming that the entrepreneur needs to have some rewarding system in place for usable ideas received through the suggestion system. Additional issues such as the use of software to monitor and measure the implementation of suggestions, distributing of suggestions among all those involved, and a few others were also identified as a result of this study.

This paper covers a literature review and reports on qualitative research with structured interviews. The analysis section includes a flow chart (Figure 1 below) of effective suggestion systems for entrepreneurs to follow to ensure that all steps are followed to use suggestion systems as an effective tool for getting innovative ideas from their employees; in the analysis of the results the different responses of the respondents are discussed. The evaluation of submitted ideas by employees, the implementation of ideas, whether large financial rewards contribute to team work, what create synergies and opportunities for new ideas in the organisation, whether non-financial rewards are powerful, and recognition and rewards are discussed in the results and discussion section; recommendations and conclusion form the last part of this paper.

**LITERATURE REVIEW**

Incentives, initiative, idea generation and awards

Employees’ ideas and innovations are so important in any organisation because they are on the shop floor and are experiencing the advantages or disadvantages of what they are doing. The initial view should be the assumption that all suggestions are beneficial until the evaluation proves otherwise. Stone (2008) is of the opinion that employees have ideas regardless of whether or not the environment is conducive but the employee will not submit it if the environment is not seen as supportive.

Therefore organisations must have incentives, which are proactive, in place for employees to feel that submission of their useable ideas will be rewarded. Incentives provide a very direct message to the employee and it is focused on their behaviour in achieving objectives; in our case idea generation programmes and participation in the suggestion system. A common aim of a suggestion system is to achieve greater employee involvement which eventually leads to greater tangible benefits such as cost savings, and higher sales and intangible benefits like higher levels of morale (Crail, 2006). Usually the employee’s response follows from substantial exposure to surveys or involvement to generating ideas in the workplace. One of the most pervasive perceptions likely to be encountered is that many of the past initiatives amounted to nothing. This perception normally arises from the absence of feedback on the outcomes or the non-implementation of ideas and the entrepreneur should have feedback on the top their “to-do” list.
Creative behaviour conceptualises suggestions as creative acts while initiative adds one particular facet to the creative process idea. The notion of ownership which generally accrues from participation is a major consideration in the implementation of suggestions or ideas. It is through involving various stakeholder constituencies from the onset of the initiative, creating ideas, the pre-implementation stage, and during the diagnoses of generating ideas that psychological ownership for the suggestion programme is established (Van Tonder, 2006).

There are different ways for entrepreneurs to use the information gathered from their employees (refer to Figure 1 below in the analysis section) but it is important that the method used must be clear, straightforward, and open to all potential participants for all employees to know what to do to receive the award, according to Wood (2003).

The role of organisational culture in generating ideas

Organisational culture also plays an important role in the attitude and behaviour of employees. Du Plessis (2007) refers to culture as an important consideration for recognition. In cultures where status differentials are minimised and more individualistic in nature (for example New Zealand, Australia and the USA) a more egalitarian reward system is used rewarding individuals. This reward system includes rewards for suggestions made through the suggestion system. The implementation thereof is not rewarded. Ishaya (2006) explains that employees need to be skilled and well trained in their job, with systems in place so that they can work effectively and efficiently to add value to their organisations.

The role of technology in involving all employees when distributing rewards

Technology normally reminds of science and technical subjects; it means a science of industrial and mechanical arts. Furthermore, technology denotes proven methods or systems and processes for attaining output from input. The use of a suggestion system by entrepreneurs, therefore, could be the perfect tool in attaining their goal, in other words to be successful as an organisation. More caution rather than less should be exercised by entrepreneurs to have their employees on board and totally committed to a suggestion programme. Methods to generate ideas should be clear, straightforward and open to all participants, teams and individuals. Figure 1 below is a flow chart to assist entrepreneurs to make sure that all possible methods are used and that all levels of employees are involved.

Software should be made available and should be used to manage the process effectively and efficiently. The software could replace the traditional suggestion box and should be able to acknowledge receipt, handle duplicated ideas, link ideas to evaluators and allow everyone to search for existing ideas and build on.

The importance of administration

The administration of the suggestion system seems to be a major hurdle to overcome. Holland, Sheehan, Donohue and Pyman (2007) are supporting what was explained above that information or data received must be evaluated and if useable must be implemented. Recordkeeping is of the utmost importance and the notion of e-admin has taken over. More than ten years ago already Love (1998) suggested that the system should start small and grow only if necessary. Administrative delays result in the employees getting the impression that the organisation does not view their ideas as worthwhile. An early acknowledgement of receipt of the suggestion is essential. Suggestion boxes, traditional ones and electronic ones (e-suggestion boxes), should be “cleared” on a daily basis. The suggestion system coordinator (e-admin coordinator) should make sure that employees who submit an idea receive a personal response to thank them (see Figure 1).

The role of Human Resource Management and line managers

The latest trend of pre-employment briefings by entrepreneurs/employers is fast becoming the norm according to Du Plessis (as cited in Nel et al 2008). These briefings or discussions take place before the employment contract is signed; thus if no agreement or consensus is reached on certain issues, no employment agreement is signed and no further working relationship is established. Suggestion systems
could be one of the agenda points during these pre-employment discussions. Usually new employees attend an induction programme before starting their new roles. In small businesses in New Zealand, as was pointed out above, there is no human resource department and new employees rely on the entrepreneur/owner/manager to do the induction.

An induction programme should include an explanation and awareness of the suggestion system. Dessler (2005) endorses this and adds that such information should be given at the second stage of the three conducting stages of induction. Nel, Werner, Haasbroek, Poisat, Sono and Schultz (2008) point out that policies, including suggestion programmes, should be the responsibility of the human resource department. They also state that policies and programmes must be developed in consultation with representatives from trade unions (if the organisation is unionised) and it must comply with relevant legislation. Most small businesses use human resource (HR) consultants to do all their HR related functions (Du Plessis, 2007).

The importance of feedback on implementation of accepted ideas

Du Plessis and Paine (2007) report that the power of feedback to employees is often underestimated. There is a correlation between the number of suggestions submitted and the time taken to give feedback to the suggestor. In her study Nel (2008) found that two discouraging elements in the suggestion systems are the length of time taken to evaluate a suggestion and secondly the delay in recognition through sometimes poor communication channels. The longer the time to give feedback and recognition, the fewer the suggestions submitted. The more immediate the feedback and recognition the more powerful it will be (refer to Figure 1 below). It is of the utmost importance to give feedback to all employees when accepted ideas or suggestions were implemented.

The importance of suggestion boxes as a tool for successful entrepreneurs is immeasurable, therefore no matter how small the idea or suggestion is, if it contributes to the organisation’s profitability, survival, sustainability or maintaining its competitive advantage it should be recorded and implemented. The progress of submitted ideas should be monitored by the software in use and that includes implementation and feedback to all employees. The implementation of ideas should also be part of the supervisor’s performance appraisal. In Figure 1 the importance of proper feedback to all stakeholders is pointed out.

**PROBLEM STATEMENT AND OBJECTIVE OF THIS PAPER**

The evaluation of ideas and the implementation of good ones are neglected due to the fact that most of the suggestion systems driven in New Zealand, are to a great extend of an informal nature because more than 80% of businesses have five and less employees. The informality could be contributed to the absence of proper idea generation programmes, a lack of awareness and publicity programmes and the acceptance of responsibility by all levels of management.

The objective of this paper is to report on empirical research undertaken by Unitec New Zealand, (Auckland, New Zealand) on suggestion systems as applied in New Zealand organisations and the University of Pretoria, (Pretoria, South Africa). This paper concentrates on idea generation programmes, awareness and publicity programmes, administration and processing, and corporate wide implications; other papers and articles report on other areas of the same research project.

**METHODOLOGY**

A number of critical success factors for suggestion systems were identified from the literature. From these critical factors the ten most important once were identified. A questionnaire was compiled by the University of Pretoria (UP) to establish to what extend these critical factors are complied with in organisations. The same questionnaire was used with permission from UP after minor modifications for an
identical survey in New Zealand. Minor modifications involved updating and scrapping of some questions because the questionnaire was too long for use during short interviews in New Zealand.

The questionnaire was used and completed during personal interviews which were conducted in four main business areas, namely Auckland, Greater North, Manukau and Waitakere City. Table 1 below is a profile of the distribution of the respondents in the four business areas. A 100% response rate was achieved.

Table 1: Profile of respondents by business area

<table>
<thead>
<tr>
<th>Business Area</th>
<th>Number of organisations</th>
<th>Percentage of organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater North</td>
<td>6</td>
<td>28.57%</td>
</tr>
<tr>
<td>Auckland</td>
<td>10</td>
<td>47.62%</td>
</tr>
<tr>
<td>Manukau</td>
<td>4</td>
<td>19.05%</td>
</tr>
<tr>
<td>Waitakere City</td>
<td>1</td>
<td>4.76%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>21</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Although the results of Statistics New Zealand (2008) revealed that 86.8% of businesses in New Zealand generally have 5 and less employees in service with only 3.6% of businesses in New Zealand having 20 or more employees in service, the amount of employees in the organisations in our research project give a different picture. The number of employees employed by the organisations varies from a minimum of six employees to a maximum of 110, as reflected in Table 2 below.

Table 2: Profile of respondents by organisation size

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Number of organisations</th>
<th>Percentage of organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>6-29</td>
<td>8</td>
<td>38.10%</td>
</tr>
<tr>
<td>30-49</td>
<td>8</td>
<td>38.10%</td>
</tr>
<tr>
<td>50-110</td>
<td>5</td>
<td>23.80%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>21</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
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From the 21 organisations 90.48% are from the private sector while 9.52% are from the public sector. A total of 89.47% of the private sector organisations are from industry.

**ANALYSIS OF THE RESULTS**

**Discussion**

In the empirical study it was found that only 19.05% of the organisations claimed to have a formal suggestion system, meaning they have an official policy, certain structures and procedures in place. It is
interesting to note that none of the organisations, whether formal or informal, have an exclusive name for their system. It could therefore be concluded that entrepreneurs will refer to “the suggestion system or suggestion scheme”. Not one of the respondents believes that the name of the system will contribute to the success on the system. Buchanan and Badham (2008) go one step further in saying that employees must have a conceptual understanding of the system and a name linked to it.

Figure 1: Flow Chart for Entrepreneurs to use in their Suggestion Systems

Source: Developed by the authors

There was consensus among all the participating organisations that the evaluation of suggestions is completed in less than 90 days after it was submitted. This is an indication that the management is open for suggestions and that they value the ideas of employees. The fact, however, that 71.43% of the respondents
either disagree or do not know whether suggestors are getting feedback on a regular basis during the evaluation period places a question mark on the commitment of management. The flow chart (Figure 1) above explains the flow of feedback.

An alarming 38.10% of the respondents reported that their employees from all levels are not involved in the design of the idea generation system. A further 28.57% of the respondents were unsure; therefore two thirds (66.67%) of their organisation’s employees are excluded in the basic design of what could be a possible cost saving or a possible labour turnover decrease. Only a third (33.33%) of the respondents is sure that their employees are involved and contribute positively to possible cost saving or attaining of their competitive advantage.

Awards

Entrepreneurs have to ensure that their employees are aware that there is an award system for accepted suggestions. Only 38.09% of the respondents agreed that they make it worthwhile for their employees to share their new ideas with the entrepreneur. It can be deduced that entrepreneurs will have to adapt an attitude that they are not the “mister know all” in the world and if they are prepared to reward their employees they might just get more usable ideas.

Do employees know what to do to get the award?

Only 4.76% of the respondents reported that they know exactly what to do to get any award for their suggestions. The fact that 19.05% of the respondents agree that their suggestion evaluators haven’t received proper training for the programme and evaluation techniques, proves a serious lack of commitment from management to ensure that ideas from employees get the necessary attention. An alarming 80.95% don’t know whether suggestion evaluators do receive appropriate training in the reasons for suggestion systems and evaluation techniques is further supporting the fact that employees don’t know what to do to receive an award. It also shows that management could get substantially more involved, at least in training their employees in “the why” and “the how” of the programme and to receive an award. A total of 57.14% of the respondents are not exactly sure what to do to get the award for their suggestions.

Financial awards and feedback

Almost half of the respondents (42.86%) disagree that management make any financial awards for their suggestions accepted, whereas 47.52% is not sure. Holland, Sheehan, Donohue and Pyman (2007) link recognition and awards to the psychological contract. Although it might not be a written clause in their employment agreement, employees do want to be recognised or awarded for their efforts and achievements in the organisation under the psychological contract, if their suggestions are accepted. A third (33.33%) of the respondents agrees that large financial rewards do not contribute to teamwork. It is also important to take note of the other respondents because 52.38% are in favour of large financial rewards. It can be deduced that employees value their contribution to the organisation and want to be rewarded for this extra efforts such as suggestions. In support of this statement only 14.29% reported that the organisation will get more suggestions without being offered any rewards. Feedback is regarded as very important, but 61.43% of the respondents don’t want this feedback during their performance appraisals.

Distribution of rewards create synergies

An enormous positive response was received from the respondents as 57.14% of the respondents want suggestion rewards to be distributed among all those involved in the process; they are also positive that the implementation of ideas create synergies and opportunities for more new ideas. Only 4.76% did not agree with this. A very strong response (95.24%) was received that non-financial recognition is just as powerful as financial rewards.

The role of HRM and line managers’ responsibilities

Line managers must accept responsibility and be accountable for what is happening in their work sections for which they are designated according to Clegg, Kornberger and Pitsis (2008). Some of the reasons are
that suggestions originating in a specific section are usually referred to the line manager; they decide whether the suggestion will be accepted or implemented, especially when it relates to their particular area of supervision. If they suppress the initiatives of their subordinates, they will be unable to motivate their employees to participate. As pointed out above most New Zealand organisations have about five employees and therefore no HR department. This is the reason why the responsibility is on the shoulders of the line manager and HRM has basically no role to play in the implementation stage, but certainly in the induction stage of new employees in larger firms but not in these small organisations.

With reference to whose responsibility it is to implement ideas, only 14.29% of the respondents believe it is the suggestor’s line manager’s responsibility to see to it that accepted suggestions are implemented while 9.52% disagree and an alarming high percentage, more than three quarters (76.19%) are not sure. If the line manager does not take the responsibility and there is no HR department involved, who must? Surely, the suggestor cannot implement the suggestion without the approval of the line manager?

Organisational culture in generating ideas

Organisational culture is the pattern of basic assumptions, values, norms and artefacts (the highest level of cultural awareness) shared by the organisation’s members, according to Waddell, Cummings and Worley (2007). Therefore, if the norm or assumption in the organisation is that suggestions are implemented by line managers, everybody will expect and even wait for the line manager to do their job. It can be deduced that if there is agreement on this, then it is the responsibility of the line manager and, according to the respondents, they are not even sure that it is one of their duties as line manager. Line managers are often the most important link in the idea generation programme. Employees and line managers are the people with the most knowledge of the job and it came as a surprise that 66.66% of the respondents admitted that no explanation of the suggestion programme forms part of the induction programme in their organisations. In Figure 1 above it is clear that the awareness and publicity programme follows the idea generating programme. The explanation could easily be done during the pre-employment or the induction period.

Administration and technology

The question was put forward to the respondents whether software is used to submit and process suggestions. Only 4.76% of the respondents agreed that software is in use for administration and processing. Almost all (95.24%) of the respondents responded that they don’t use any software for the said issues. It can be deduced that the organisations are too small to layout huge amounts of money on systems that they think could be managed manually.

SOME IMPLICATIONS FOR ENTREPRENEURS

After analysing the data collected it is concluded that entrepreneurs should have a much better knowledge of suggestion systems and its value add in their organisations. This would help them understand and interpret also recognition, awards, rewards and the use of non-financial awards.

Although it might not be a written clause in their employment agreement, employees do want to be recognised or awarded for their efforts and achievements in the organisation under the psychological contract. The entrepreneur must ensure that they do not neglect recognising, rewarding and implementation of useable ideas and suggestions.

The entrepreneur’s involvement in the idea generation programmes is of the utmost importance to use suggestion boxes as a tool for successful business; without them supporting the programmes, it is hardly likely that subordinates will come up with new ideas. If there is an air of negativity, it will pervade down to the subordinates with the result that participation dwindles.

Entrepreneurs are engaged in evaluating the suggestions therefore they are instrumental in determining the advantages of the idea. They should maintain a good relationship with their subordinates, develop the idea
generation programmes and motivate them to submit their suggestions. Feedback to suggestors should be documented and entrepreneurs should also become active in the system to make it a success.

CONCLUSIONS

Entrepreneurs and line managers will always remain pivotal in the success of the suggestion system. Entrepreneurs should use any possible management tool that contributes to their survival in the current competitive economies globally.

The most under-valued management tool available is the suggestion system which consists of a formal procedure that encourages employees to think innovatively and creatively about their work and work environment, and to produce ideas. To achieve greater employee involvement that eventually leads to greater tangible benefits such as cost savings, better sales and intangible benefits like higher levels of morale are some of the goals.

Entrepreneurs must have incentives in place in their organisations for employees to feel that submission of their useable ideas will be rewarded. Explanation and awareness of the suggestion system could be done during the pre-employment stage or the induction stage. Administrative delays result in the employees getting the impression that the organisation does not view their ideas as worthwhile but it can be minimised with the use of software to manage the process effectively and efficiently.

Feedback should also be given to all stakeholders as is explained in Figure 1. A flow chart (Figure 1) was developed to assist entrepreneurs in the suggestion system process. Some interesting responses were discussed and some implications for entrepreneurs were pointed out.

The motivational effect that recognition and rewarding have, must never be under estimated. Therefore, it is concluded that a suggestion system is the perfect tool for entrepreneurs on their road to success.

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