

Making Your Suggestion Scheme Make Sense

Harness the power of your in-house creative ideas

Expert knowledge means success



Contents

1. Introduction
2. The Tax Position
3. Further Information

Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

Introduction

¹Markets today demand greater innovation. Changes are coming faster than ever before. Your competitors are ever more nimble.

Customers have rising expectations. You need new ideas, better processes, more innovative products and services, and more effective ways to build strong futures with those customers.

Companies can no longer survive with staff members who expect management to provide "all the right answers". Today, companies require a steady flow of ideas and solutions from those who are closest to the processes and the customers, those with their "ears to the ground".

To maintain an adaptable and responsive organisation, you must develop a culture that actively solicits input and recommendations from every level of your staff.

Fortunately, senior managers are more receptive to this approach than ever before. But how can you transform the mindset of staff, who, for years or even generations, were trained to "keep your mouths shut, lay low, just follow orders"? How can you encourage your frontline staff to open their minds, explore new ideas and share their best recommendations?

One technique is the "Staff Suggestion Scheme"; a time-honoured process of wooden boxes and pre-printed forms for staff to write out their ideas and submit them for management consideration.

Many companies have tried this approach, but few can report real satisfaction with the number, consistency, or quality of staff contributions. Even fewer can report widespread enthusiasm for their "Suggestion Schemes" at all.

Here are six ideas you can implement right away to make your suggestion scheme more effective:

1. Respond to all written staff suggestions immediately (within one week) and in writing - Be candid. If the answer is no, say so. If

the answer is yes, state when staff will see implementation. If the answer is maybe, explain the issues involved and give a date for further reply. And stick to it. Nothing builds trust and credibility faster than making new promises... and keeping them.

One exception: do not reply to obscene or abusive suggestions. A strong company culture has no place for such destructive "input". Your best response is not to reply.

2. Respond to suggestions publicly, for all to see - Usually, when one staff member writes, she speaks what is on the mind of many. Reply openly on a designated bulletin board, in a weekly printed update, or by electronic mail. Thank the writer(s) for their query or contribution. Include staff names on suggestions to be implemented.
3. Give an award, prize or monetary incentive for best suggestions, and give it right away - Many Suggestion Schemes invoke a multi-step process for evaluation and eventual granting of an award. First, the suggestion boxes are emptied (sometimes only once a month). Second, a Committee sifts and sorts for "realistic" submissions. Third, a Management Committee appraises the freshness, viability, cost savings or increased revenue from each suggestion. Fourth, someone in "Senior Management" decides upon the amount of reward to be given to the appropriate staff members. And finally, an actual awarding of the "prize" is conducted.

The cycle time for this process is usually four weeks or more. In some cases the senior management review is only conducted once a quarter. What is your company's cycle time for awarding prizes to a staff suggestion? Would you be inspired if you had to wait that long?

Try this approach: Dedicate £750 to the project. Give the money away in £60 increments every month for one year. Each month, give £30 to the best idea, £12 for the second best idea, and £6 each to the 3rd, 4th and 5th best suggestions.

In the first months, few may believe that you will give out the money in a timely manner, and possibly only a handful of staff will participate. But no matter how small or meagre the suggestions, give out the money anyway! As soon as staff realise you are serious, the boxes will be filled with suggestions.

4. Establish categories for regular awards - Categories can help staff focus and generate new ideas. Here are examples of categories that you can use: Ideas that can be implemented immediately, ideas for getting closer to our customers, suggestions for cost savings or increasing revenue, new ideas focusing on a chosen theme for the month, ideas that most dramatically challenge the current paradigm of our thinking, recommendations for the future direction of our business.
5. Make a big event out of awarding your suggestion scheme prizes - Some companies use lunches, staff teas or monthly meetings to award prizes. One company makes up large, special "dollar bills" for each winning suggestion. In the center is the face of the staff member who contributed. In the corners is the amount of money his or her suggestion earned. And surrounding the portrait is a description of the suggestion itself. These "dollar bills" line the wall of the staff lounge and company cafeteria. The result is popular group recognition for winners and a "culture building" impact that keeps the suggestion scheme going strong.

At the end of the year, give recognition to the volume of suggestions received, the winners who have been rewarded, and the changes enacted as a result. Then, pose a challenge to everyone to double the volume of suggestions in the coming year.

And, if the quality of ideas warrant, double your cash prizes, too. Four winners a month last year? Increase it to eight winners per month next year.

6. **Most of all... implement** - Act upon what your staff suggests. Nothing demonstrates your commitment to this approach better than a staff suggestion recognized, rewarded and immediately put to work.

Are there even more practical ways to improve your company's suggestion scheme? Sure there are. Got a suggestion?

The Tax Position

In the UK, HMRC's extra-statutory concession² A57 permits tax-free treatment of awards under suggestion schemes made to employees where the following conditions are satisfied:



- (a) There is a formally constituted scheme under which suggestions are made, and it is open to all employees on equal terms.
- (b) The suggestion for which the award is made is outside the scope of the employee's normal duties. The test is whether, taking account of his or her experience, the employee could not reasonably have been expected to put forward such a suggestion as part of the duties of the post. Where meetings of employees are held for the purpose of putting forward suggestions, they should be regarded as part of their duties, and any consequential awards would not be within the terms of this concession.
- (c) Awards other than encouragement awards (see (g) below) are only made following a decision to implement the suggestion and are made directly to the employee or employees concerned.
- The decision to make an award other than an encouragement award is based on the degree of improvement in efficiency and/or effectiveness likely to be achieved measured by reference to:
 - the prospective financial benefits and the period over which they would accrue, and
 - the importance of the subject matter having regard to the nature of the employer's business
- (e) The amount of an award does not exceed
 - 50% of the expected net financial benefit during the first year of implementation, or
 - 10% of the expected net financial benefit over a period of up to 5 years subject to an overriding maximum of £5,000. Where an award exceeds £5,000, the excess is not covered by this concession.
- (f) where a suggestion is put forward by more than one employee, the award made under (e) above is divided between them on a reasonable basis.
- (g) any encouragement award is of £25 or less. An encouragement award is one which is made in respect of a suggestion which has some intrinsic merit and/or reflects meritorious effort on the part of the employee in making the suggestion.

In other countries, the tax position may be different – check with your advisor.

Further Information

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

Acknowledgement and Reference:

¹ Acknowledgement: Ron Kaufman, "Singapore's Service Quality & Motivational Guru," is a professional speaker and trainer, as well as a consultant to Singapore Airlines and the Government of Singapore. He provides successful clients with keynote speeches, interactive workshops, teambuilding programs, management retreats, conference games and customised curriculum. Coordinates: P.O. Box 693, Marine Parade, Singapore, 914407, Phone 0065 441-2760, Fax 0065 444-8292, E-Mail: Ron@RonKaufman.com Web: <http://www.RonKaufman.com>
Copyright, MCMXCVI, Ron Kaufman. All rights reserved.

² An extra-statutory concession (ESC) is a relaxation which gives taxpayers a reduction in tax liability to which they would not be entitled under the strict letter of the law. Most concessions are made to deal with what are, on the whole, minor or transitory anomalies under the legislation and to meet cases of hardship at the margins of the code where a statutory remedy would be difficult to devise or would run to a length out of proportion to the intrinsic importance of the matter.
ESC A57 is on HMRC website at: www.hmrc.gov.uk/manuals/senew/SE06600.htm

Important Notice

© Copyright 2019, Martin Pollins,
All Rights Reserved

This publication is published by **Bizezia Limited**. It is protected by copyright law and reproduction in whole or in part without the publisher's written permission is strictly prohibited. The publisher may be contacted at info@bizezia.com

Some images in this publication are taken from Creative Commons – such images may be subject to copyright. **Creative Commons** is a non-profit organisation that enables the sharing and use of creativity and knowledge through free legal tools.

Articles and information contained herein are published without responsibility by us, the publisher or any contributing author for any loss howsoever occurring as a consequence of any action which you take, or action which you choose not to take, as a result of this publication or any view expressed herein. Whilst it is believed that the information contained in this publication is correct at the time of publication, it is not a substitute for obtaining specific professional advice and no representation or warranty, expressed or implied, is made as to its accuracy or completeness.

The information is relevant within the United Kingdom. These disclaimers and exclusions are governed by and construed in accordance with English Law.

Publication issued or updated on:
24 January 2012

Ref: 321

