

Employee Suggestion Schemes as a Driver of Innovation and Value Creation in Organizations

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ABSTRACT

In today's highly competitive and rapidly changing business environment, organizations are increasingly recognizing employee suggestion schemes as an important mechanism for encouraging innovation, continuous improvement, and value creation. These schemes provide employees with a structured platform to share ideas, identify improvement opportunities, and contribute directly to organizational effectiveness. However, the success of such schemes depends on how effectively organizations create a supportive culture, ensure leadership commitment, establish transparent communication channels, provide timely feedback, and recognize valuable contributions. This conceptual paper explores employee suggestion schemes as a driver of innovation and value creation in organizations. Drawing on existing literature and theoretical perspectives, the paper examines the key factors that influence the effectiveness of suggestion schemes and highlights strategies for maximizing employee participation and implementation of ideas. The study emphasizes that well-designed suggestion schemes can enhance productivity, improve processes, strengthen employee engagement, and support sustainable organizational growth. Practical recommendations are also discussed to help organizations optimize suggestion schemes as a strategic tool for continuous improvement and competitive advantage.

Keywords: Innovation, Value creation, Continuous improvement, Employee engagement, Organizational effectiveness

INTRODUCTION

In the pursuit of operational excellence and sustainable growth, organizations are increasingly turning to their most asset: their employees. Recognizing the wealth of knowledge, creativity, and insights that employees possess, organizations have implemented various mechanisms to tap into this resource and drive continuous improvement and innovation. One such mechanism is the suggestion scheme, a structured process through which employees can submit ideas, suggestions, and feedback aimed at enhancing organizational processes, products, or services. Suggestion schemes not only empower employees to contribute to the success of the organization but also foster a culture of innovation, collaboration, and engagement. However, despite their potential benefits, many organizations struggle to effectively leverage suggestion schemes to optimize value creation. This paper seeks to explore the factors that influence the effectiveness of suggestion schemes and propose strategies for maximizing their impact on organizational performance and value creation.

Theoretical background

Definition - The 'Employee Suggestion Scheme (ESS)' has been defined as a formal mechanism which encourages employees to contribute constructive ideas for improving their product & process. As per another definition, a suggestion scheme is a formal channel which encourages every employee to suggest ideas which can be helpful in solving or avoiding problems or improving work process or the work environment. Through the suggestion scheme, the employees can participate directly in the improvement of the productivity & profitability of the organization. The employees find their job more meaningful and interesting when they participate in the decision-making process involving their work. Sathttps://www.ispatguru.com/author/Satyendra (2013)

The automotive industry operates in a highly competitive and dynamic environment characterized by rapid technological advancements, evolving consumer preferences, and increasing regulatory requirements. In such a context, fostering innovation and continuous improvement is crucial for automobile manufacturers and suppliers to maintain competitiveness, enhance operational efficiency, and drive sustainable growth. Employee suggestion schemes, also known as idea management systems, serve as valuable tools for harnessing the creative potential of employees and generating innovative ideas for process improvement, product innovation, cost reduction, and quality enhancement.

However, despite the potential benefits of suggestion schemes, many organizations, including those in the automobile industry, face challenges in maximizing their effectiveness and realizing their full potential. There is a need for research that explores strategies for optimizing the value creation of suggestion schemes specifically tailored to the unique context of the automotive sector. By understanding the factors that influence the effectiveness of suggestion schemes in automobile organizations, stakeholders can develop targeted interventions and best practices to enhance employee engagement, promote idea generation, and facilitate the implementation of valuable suggestions.

Furthermore, with the automotive industry undergoing significant transformation driven by trends such as electrification, autonomous driving, and digitalization, there is a growing imperative for organizations to leverage the collective intelligence of their workforce to navigate these changes successfully. By maximizing the effectiveness of suggestion schemes, automobile companies can tap into the wealth of knowledge and expertise within their organization to address emerging challenges, capitalize on new opportunities, and drive innovation across the value chain.

Therefore, this study aims to address the need for research focused on enhancing the effectiveness of suggestion schemes in the automobile industry. By examining the key factors influencing the success of these schemes and identifying strategies for optimization, the study seeks to provide actionable insights and practical recommendations that can support automobile organizations in their quest for continuous improvement, innovation, and value creation. Ultimately, the findings of this study have the potential to contribute to the long-term success and sustainability of the automotive industry in an increasingly competitive and dynamic global.

Objective of the study

The objective of this conceptual paper is to explore the factors influencing the effectiveness of suggestion schemes within organizations and to propose strategies for maximizing their impact on value creation. Specifically, the paper aims to:

1. Identify key factors that contribute to the success of suggestion schemes, including organizational culture, leadership support, communication channels, rewards and recognition, and feedback mechanisms.
2. Examine existing literature and theoretical frameworks to understand how these factors influence the effectiveness of suggestion schemes in organizations.

Methodology

The methodology for this conceptual paper is based on secondary data which involves a comprehensive review of existing literature and case analyses related to suggestion schemes and value creation within organizations. The literature review will focus on understanding the key factors influencing the effectiveness of suggestion schemes and their impact on organizational performance.

LITERATURE REVIEW

Employee suggestion schemes, also known as suggestion programs or idea management systems, are structured mechanisms through which organizations solicit and implement employee-generated ideas for improvement. The success of these schemes relies on various factors that shape the organizational context and facilitate

employee participation and engagement. This literature review examines key factors contributing to the success of suggestion schemes, including organizational culture, leadership support, communication channels, rewards and recognition, and feedback mechanisms.

1. Organizational Culture

Organizational culture plays a pivotal role in shaping the effectiveness of suggestion schemes. A culture that values innovation, transparency, and open communication fosters an environment conducive to idea generation and implementation (Hampton-Sosa et al., 2019). Research by Amabile and Pratt (2016) emphasizes the importance of a supportive organizational climate for creativity, where employees feel psychologically safe to share their ideas without fear of criticism or retribution. Organizations with a strong culture of innovation and experimentation are more likely to see higher levels of participation and engagement in suggestion schemes, as employees feel empowered to contribute their ideas and suggestions for improvement.

2. Leadership Support

Strong leadership support is essential for the success of suggestion schemes. Leaders who actively champion the initiative, allocate resources, and provide visible support and encouragement to employees contribute to the effectiveness of suggestion schemes (Smith et al., 2017). According to research by Rafferty and Griffin (2019), leadership support and involvement are key drivers of employee engagement in suggestion schemes, as employees are more likely to participate when they perceive that their ideas are valued and supported by senior management. Effective leaders communicate the importance of suggestion schemes, set clear expectations, and recognize and reward employees for their contributions to foster a culture of innovation and continuous improvement.

3. Communication Channels

Effective communication channels are critical for facilitating the submission, review, and implementation of suggestions. Organizations should provide multiple channels for employees to submit ideas, including online platforms, suggestion boxes, and regular feedback sessions (Dhanasobhon et al., 2020). Clear and transparent communication regarding the process, criteria for evaluation, and outcomes of suggestions builds trust and credibility in the suggestion scheme (Hon et al., 2018). Research by Van den Heuvel et al. (2021) highlights the importance of providing timely and constructive feedback on submitted suggestions, even if they cannot be implemented immediately, to demonstrate respect for employee contributions and maintain momentum in the suggestion scheme.

4. Rewards and Recognition

Providing rewards and recognition for employees who submit valuable suggestions is essential for sustaining participation and motivation in suggestion schemes (Zhou et al., 2018). Monetary incentives, non-monetary rewards such as recognition and praise, and opportunities for career advancement are effective motivators for employees to participate in suggestion schemes (Brown et al., 2017; Li et al., 2020). Organizations should design reward systems that align with organizational goals and values and provide meaningful recognition to employees for their contributions to encourage continued participation and engagement.

5. Feedback Mechanisms

Establishing effective feedback mechanisms is crucial for maintaining employee engagement and confidence in the suggestion scheme (Hampton-Sosa et al., 2019). Employees should be informed of the status of their suggestions and the outcomes of implemented suggestions to maintain transparency and accountability (Van den Heuvel et al., 2021). Providing timely and constructive feedback demonstrates that employee contributions are valued and taken seriously, which encourages continued participation and engagement in the suggestion scheme.

The success of suggestion schemes relies on a combination of factors, including organizational culture, leadership support, communication channels, rewards and recognition, and feedback mechanisms. By cultivating a supportive organizational culture, fostering strong leadership support, establishing effective communication channels, providing meaningful rewards and recognition, and implementing robust feedback mechanisms, organizations can maximize the effectiveness of their suggestion schemes and drive continuous improvement and innovation.

Influence of Key Factors on Suggestion Scheme Effectiveness

Existing literature and theoretical frameworks provide insights into how these key factors influence the effectiveness of suggestion schemes in organizations. For example, research by Amabile and Pratt (2016) emphasizes the importance of a supportive organizational culture for creativity and innovation, highlighting how a culture of trust and openness encourages employees to contribute their ideas. Similarly, studies by Smith et al. (2017) and Dhanasobhon et al. (2020) emphasize the role of leadership support and effective communication channels in driving employee engagement and participation in suggestion schemes.

Furthermore, research on rewards and recognition (Zhou et al., 2018) and feedback mechanisms (Hampton-Sosa et al., 2019) demonstrates their impact on employee motivation and satisfaction. Employees are more likely to participate in suggestion schemes when they perceive that their contributions are valued and recognized by the organization. Additionally, receiving feedback on their suggestions reinforces employees' sense of ownership and commitment to the process.

Existing literature provide valuable insights into the influence of organizational culture, leadership support, communication channels, rewards and recognition, and feedback mechanisms on the effectiveness of suggestion schemes in organizations. By understanding and leveraging these key factors, organizations can create an environment that fosters innovation, collaboration, and continuous improvement, driving value creation and organizational success.

DISCUSSION

In lean manufacturing system 'Suggestion' 'Idea' and 'Kaizen' all refer to employees' proposals as to how their workplace are to be enhanced through improvements introduced into the organizational areas and processes. To encourage such feedback among employees, several organizations introduce specially tailored organizational solutions called employee suggestion schemes / programmers, idea management systems.

Under such schemes, employees' ideas are typically put forward in writing afterward the ideas are evaluated. If considered worthy of implementation they are introduced and mostly the suggesting employees are rewarded with some monetary benefits in some of the organizations.

Employee suggestion scheme (ESS) plays a crucial role in an organization having a desire to become more innovative. Nowadays many of the organizational managements are aware of the importance of employees' creativity and the suggestion schemes are one of the important instruments for channeling employee creativity. The employee ideas contribute to the achievement of high performance, excellence, and competitive advantage in the organization.

Process flow of Employee suggestion scheme If reject then employee must give new suggestion.

Feedback

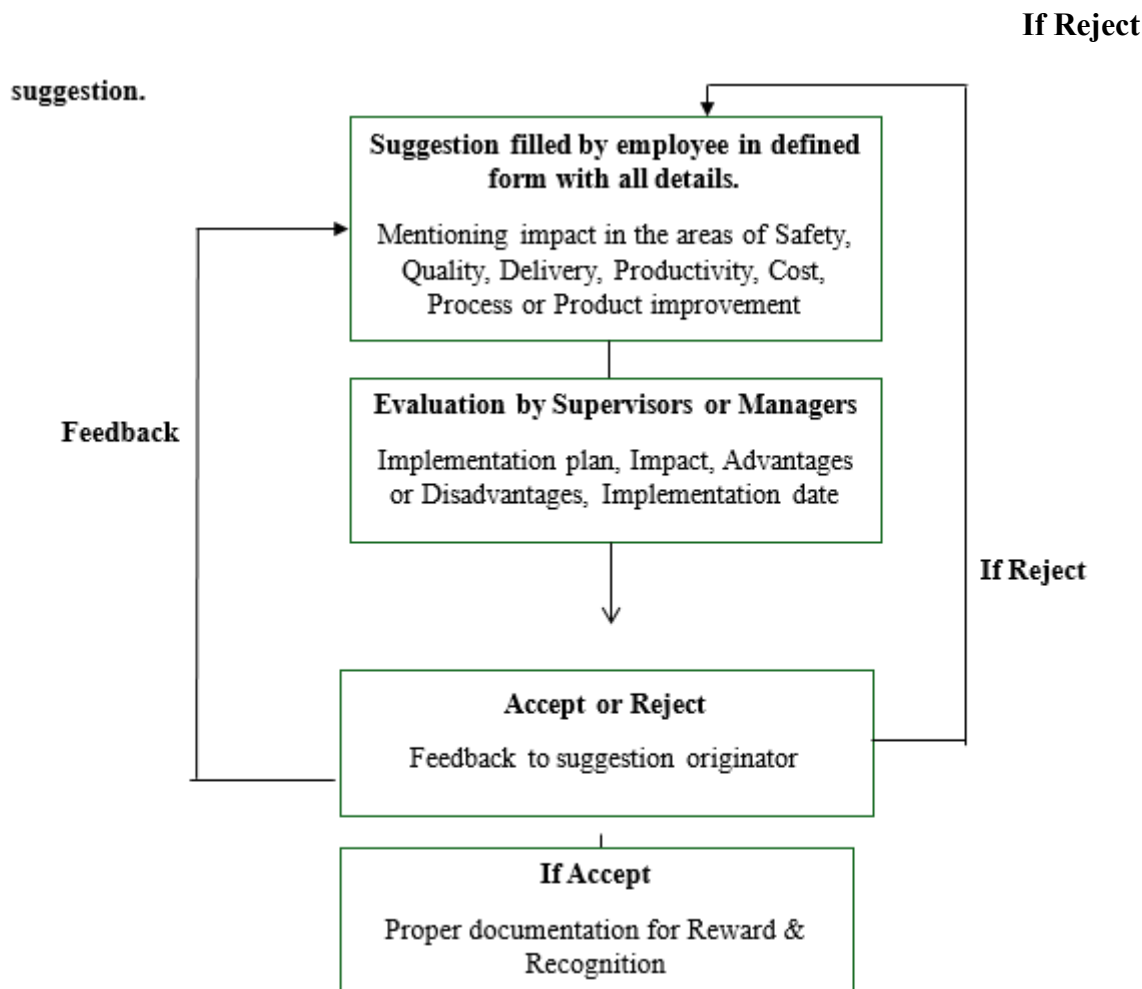


Figure 1: Process Flow of Employee Suggestion Scheme

The process flow of the employee suggestion scheme depicted in Figure 1 outlines the steps involved in the submission and evaluation of employee suggestions within an organization. The scheme aims to encourage employees to contribute their ideas for improvement, innovation, or problem-solving, with the ultimate goal of enhancing organizational effectiveness and driving value creation.

Process Flow Description:

1. **Submission of Suggestion:** The process begins with the submission of a suggestion by an employee. This could involve proposing an idea for process improvement, suggesting a new product feature, identifying a cost-saving opportunity, or any other actionable recommendation aimed at benefitting the organization.
2. **Feedback:** Upon receiving the suggestion, the organization evaluates it against predefined criteria, such as feasibility, impact, alignment with organizational goals, and resource requirements. Feedback is then provided to the employee regarding the status and outcome of their suggestion. This feedback serves to communicate the organization's decision and rationale behind it, whether the suggestion is accepted for implementation or rejected.
3. **If Rejected:** If the suggestion is rejected, the process loops back to the employee, who is encouraged to submit a new suggestion. The rejection of a suggestion does not signify the end of the employee's involvement in

the scheme but rather prompts them to continue contributing ideas for consideration. This iterative process reinforces a culture of continuous improvement and encourages ongoing participation from employees.

The process flow of the employee suggestion scheme illustrates a cyclical and iterative approach to idea generation and evaluation within the organization. By providing employees with a structured mechanism for submitting suggestions and receiving feedback, the scheme fosters employee engagement, promotes innovation, and drives organizational improvement.

The inclusion of a feedback loop in the process ensures transparency and accountability in the evaluation of employee suggestions. It allows employees to understand the decision-making process behind the acceptance or rejection of their suggestions and provides them with valuable insights for refining future submissions. Moreover, by encouraging employees to submit new suggestions in case of rejection, the organization demonstrates its commitment to continuous learning and improvement, leveraging the collective intelligence of its workforce to drive value creation.

The process flow of the employee suggestion scheme serves as a key component of organizational innovation and performance improvement strategies, facilitating the identification and implementation of ideas that contribute to the organization's success and competitiveness.

Implication of the study

Maximizing the effectiveness of suggestion schemes in the automobile industry holds significant implications for innovation, operational efficiency, and organizational performance. By encouraging employees to contribute their ideas and insights, automobile organizations can tap into a valuable source of creativity and problem-solving potential. This can lead to the development of innovative products, processes, and solutions that address evolving consumer needs and industry trends. Additionally, effective suggestion schemes can help streamline operations, reduce costs, and optimize resource utilization across the value chain. By implementing employee-generated suggestions, organizations can identify opportunities for cost reduction, process improvement, and productivity enhancement, leading to improved financial performance and competitive advantage. Moreover, fostering a culture of employee engagement and participation through suggestion schemes contributes to higher levels of employee satisfaction, morale, and retention. Employees feel valued and empowered when their ideas are recognized and implemented, leading to a more motivated and committed workforce. Furthermore, suggestion schemes promote organizational learning and continuous improvement by encouraging knowledge sharing, collaboration, and adaptability. As automobile organizations strive to achieve sustainability goals and address environmental challenges, suggestion schemes play a crucial role in identifying opportunities to reduce environmental impact, promote sustainable practices, and drive positive change throughout the industry. In essence, maximizing the effectiveness of suggestion schemes in the automobile industry is essential for driving innovation, efficiency, and value creation while fostering a culture of employee engagement, learning, and sustainability.

Strategies for Maximizing Value Creation:

1. Foster a Culture of Innovation:

- Organizations should cultivate a culture that values innovation, experimentation, and continuous improvement to encourage employee participation in suggestion schemes (Amabile & Pratt, 2016). A culture that promotes openness to new ideas and encourages employees to challenge the status quo fosters an environment where suggestion schemes thrive.
- Leaders should lead by example by actively encouraging and supporting employee-generated ideas and initiatives. When leaders demonstrate a commitment to innovation and improvement, employees feel empowered to contribute their suggestions and are more likely to engage in the process.

2. Provide Leadership Support:

- Senior management should provide visible support and encouragement to employees participating in suggestion schemes (Smith et al., 2017). Leaders play a crucial role in setting the tone for innovation within the organization and should actively champion the initiative.
- Leaders should actively solicit and respond to employee suggestions, demonstrating that their input is valued and taken seriously. By engaging with employees' ideas and providing feedback, leaders reinforce the importance of the suggestion scheme and encourage ongoing participation.

3. Implement Effective Communication Channels:

- Organizations should establish clear and transparent communication channels for submitting, reviewing, and implementing suggestions (Dhanasobhon et al., 2020). Employees should have easy access to platforms where they can share their ideas and track the progress of their suggestions.
- Regular updates and feedback on the status of suggestions should be provided to employees to maintain transparency and accountability. Timely communication helps employees feel informed and engaged in the process, enhancing their motivation to participate.

4. Offer Rewards and Recognition:

- Organizations should provide meaningful rewards and recognition for employees who submit valuable suggestions (Zhou et al., 2018). Rewards can serve as powerful motivators for employees to participate in the suggestion scheme and contribute their ideas.
- Rewards can take various forms, including monetary incentives, non-monetary rewards such as public recognition and praise, and opportunities for career advancement. Tailoring rewards to individual preferences and organizational culture enhances their effectiveness in motivating employees.

5. Establish Feedback Mechanisms:

- Effective feedback mechanisms should be established to provide timely and constructive feedback on submitted suggestions (Van den Heuvel et al., 2021). Employees should receive feedback on the status of their suggestions and understand the rationale behind decisions made.
- Employees should be informed of the outcomes of implemented suggestions to maintain engagement and motivation. Recognizing employees' contributions and highlighting the impact of their suggestions reinforces their value to the organization and encourages continued participation.

By implementing these strategies, organizations can maximize the effectiveness of their suggestion schemes and leverage employee creativity and insights to drive value creation and innovation.

CONCLUSION

Suggestion schemes represent a valuable tool for organizations seeking to optimize value creation and foster a culture of continuous improvement and innovation. By understanding the key factors influencing the effectiveness of suggestion schemes and implementing strategies to maximize their impact, organizations can harness the collective intelligence and creativity of their employees to drive sustainable growth and competitive advantage. Continued research and empirical studies in this area are essential for further understanding the dynamics of suggestion schemes and identifying best practices for maximizing their effectiveness in organizations.

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