CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Ed Shikada

SUBJECT: E-IDEAS UPDATE AND FINANCIAL
INCENTIVES EVALUATION

DATE: May 20, 2013

Approved _____

Date 5/21/13

On March 26, 2013, the City Council approved the Mayor's Budget Message which directed the Administration to evaluate the potential for incorporating a self-funded financial incentive element into the City's e-ideas employee suggestion program. This memorandum provides an update on ongoing efforts to assess the effectiveness of the e-ideas Online Employee Suggestion Program as an employee suggestion, collaboration and engagement platform; and responds to the City Council direction.

BACKGROUND

In 1965, the City incorporated an employee Suggestion Award Program (SAP) into the San José Municipal Code (Chapter 3.14). The program was established to encourage City employees, through financial and other incentives, to submit suggestions to improve City operations. Disbursement of incentives was done at the discretion of the Suggestion Award Commission, a seven member commission. The SAP had a mixed record of success and in 2005 the Commission ceased to meet, with the program effectively becoming dormant due to lack of employee participation.

In 2007, a team from the City's Art and Practice of Leadership program researched the SAP and provided recommendations to revitalize the program on a pilot basis. In June 2008, the City Manager launched Beyond Budget Cuts (BBC), an interdepartmental initiative for organizational improvement and employee empowerment. The Employee Empowerment Team, one of BBC's action teams, re-evaluated the SAP and developed a new online model which is now being implemented by the City Manager's Office as a pilot. The City launched the e-ideas Online Employee Suggestion Program (e-ideas) on February 28, 2011.

ANALYSIS

Program Overview

The e-ideas program is designed to achieve several important goals: 1) To provide an open and transparent process for employees to submit their ideas for improving our workplace and better

serving our community; 2) To promote employee engagement and; 3) Foster a culture of innovation by allowing employees to collaborate on ideas submitted by their fellow City colleagues. City employees have the ability to submit ideas through the web-based platform, as well as comment, vote and build upon ideas submitted by other City employees. e-ideas leverages the ability of a social media environment to foster dialogue among City employees to develop and enhance ideas for improving City government and the delivery of services.

The web-based system is accessible to employees at work, home or on their mobile devices using an assigned username and password. Ideas that receive the highest vote scores from the online community of City employees are considered by the e-ideas Committee (Committee) for possible implementation. The 10-member Committee is the program's decision making body, and is comprised of employees from different City departments and representing various levels of the organization. Of the 10 Committee members, four are core members and are appointed by the City Manager or designee and six are rotating members with a term of one year and are selected through an application process.

Since the launch of e-ideas in February 2011, City employees have submitted and engaged on more than 110 ideas related to improving City operations, with three of these ideas having been implemented by the City Administration. If the sole measure of program success were to be defined by the number of suggestions that have been implemented, then the e-ideas program could be deemed to have shown limited effectiveness. However, the program has demonstrated value as a communication and continuous improvement resource, and the program concept has shown great potential moving forward as an effective tool in encouraging collaboration and engagement among City employees.

Program Successes

Our experience with the e-ideas pilot program has confirmed the tremendous value of promoting employee collaboration and engagement throughout the City organization.

Importance of Employee Collaboration

Two of the three ideas that have been implemented through the pilot program have involved initial concepts submitted through the web-based e-ideas platform that were ultimately refined and enhanced based on feedback from other City employees. For example, one idea suggested replacing all City-issued cellular phones with taxable stipends as a way of generating cost savings and reducing the significant staff time required to administer the cellular phone bill reimbursement process. In reviewing this idea, the Committee did not recommend elimination of all City-issued cellular phones due to the very favorable City cellular phone contract and the need for some employees to use City-issued cellular phones to conduct City business. However, based on the online feedback received from employees, as well as the many discussions Committee members had with Department staff regarding this idea, the Committee concluded that an excellent opportunity existed to streamline the cellular phone reimbursement process to reduce the significant staff time required to administer this process. This collaboration among staff resulted in a change to the City's administrative policy on the management of City-issued cellular phones.

Under the revised Cellular Telephone Policy (CPM 1.7.4), departments are now required to review City cellular phone bills periodically, rather than monthly as had been required under the previous policy. In addition, Department Cellular Phone Liaisons now have the discretion to determine the appropriate periodic auditing schedule, as long as all cellular phone bills for a department are reviewed at least annually. This revised policy will help reduce the amount of staff time required to manage City-issued cellular phones, save an estimated $20,000 annually in staff time in all funds, while preserving ongoing administrative oversight. It is important to acknowledge the significant role of employee collaboration in facilitating this policy change, as it was through comments and feedback received from City employees that allowed the Administration to recognize the potential streamlining opportunity beyond the concept submitted as part of the original idea.

Importance of Employee Engagement

Beyond handling of the suggestions submitted, the e-ideas program has also provided an effective means of increasing citywide awareness of organizational improvements and policy initiatives already in progress. The Committee discovered that over a dozen idea submittals touched on areas that the City Administration had already been studying for possible enhancements, were underway, or had already been implemented. For example, one idea suggested the City pursue unclaimed property with the State of California as a way of generating additional revenue for the City. During the Committee review process, it was confirmed that the City's Finance Department already had an ongoing process whereby staff pursued unclaimed property with the State of California, as well as directly with businesses when appropriate.

On a monthly basis, Finance Department staff researches and identifies unclaimed property, verifies that the property pertains to the City and submits the appropriate claim form to the State. Staff monitors the status of each claim filed and schedule follow-up with the State or business, when necessary.

In summary, the e-ideas platform has provided an excellent forum for sharing information and engaging employees for feedback related to this and other important City initiatives that were being developed, or had already been implemented by the City Administration.

Program Challenges

As evidenced by the more than 70 ideas submitted and high level of online activity in the first year of the program, e-ideas was successful at the outset of the program in meeting its goal of providing an open and transparent process for employees to innovate and engage on operational improvements. However, employee activity has tapered off over the past year, and the City Administration has been assessing the pilot program to identify potential strategies for improving employee engagement and moving forward with the program.

As part of the program assessment, the City Manager's Office convened feedback forums with groups of employees to seek their opinions of e-ideas, as well as to solicit suggestions on how the Administration might improve the program in the future. These focus group discussions were very informative and provided the Administration with useful feedback on the technical challenges and system limitations faced by users of the hosted web-based platform, as well as some of the issues that may have hindered employee participation and engagement.

Thus far, our program assessment has identified several key program challenges:

- <u>Technical Issues with the Hosted Website</u>: Employees cited challenges with accessing the site using their assigned user log-in and password, the non-user friendly web interface and the inability to submit ideas and comments anonymously as just a few of the more common technical issues with the e-ideas platform.

- <u>Impacts of Budget Reductions and Limited Staff Resources</u>: Beyond the technical limitations of the web-based system, it is important to recognize the significant workload challenges that our employees have faced over the past several years. One of the clear messages that we received through the employee feedback forums was that the Citywide staff reductions and uncertain fiscal environment within the City in recent years have made it especially challenging for employees to engage and collaborate through the e-ideas program, as employees have focused much of their available work hours on managing their increasing work responsibilities in order to continue providing quality services to our residents.

- <u>Longer than Anticipated Idea Evaluation Process</u>: The City's reduced staffing level has also impacted the availability of staff resources in departments to ensure timely evaluation of ideas submitted through the program. As the "subject matter experts" for the provision of City services, collaboration with department staff is critical in order to assess the final viability of employee ideas submitted though the e-ideas program. With City departments having experienced drastic staff reductions over the past several years, the program has been challenged in ensuring that ideas submitted through the program advance through the required departmental evaluation process in a timely fashion.

It is also important to note that the vast majority of submitted ideas do require a significant amount of time to fully analyze the potential benefits and impacts of implementation. The Administration's experience with the e-ideas pilot program has confirmed that while many ideas appear to be very promising at the outset, further analysis will reveal that implementation of those ideas will impact other important City functions. Therefore, additional time is often required to identify and fully understand all of the potential implications of a particular idea.

Financial Incentives

Thus far, the e-ideas pilot program has relied heavily on recognition and non-financial rewards, such as parking passes to the City Hall garage and passes to events at the HP Pavilion to reward employees who submit successful ideas through the program. While the BBC team's research in 2008 found that financial rewards were not a primary motivation for employees to submit ideas, a finding which was further validated during our employee feedback forums last year, the Administration recognizes the important role that financial incentives can play in contributing to the overall success of an effective employee suggestion program. As part of our ongoing assessment of e-ideas, the Administration has been recently exploring the potential to add financial incentives as part of the program in the future.

It is important to note that financial incentives were a major component of the former SAP and contentious discussions about the viability of ideas were a key contributor to the program becoming dormant in 2005. In consideration of how financial incentives adversely impacted the City's former SAP, we are currently exploring potential options for incorporating financial incentives that not only

leverage our lessons learned from the previous program, but also provide a form of "gainsharing" that empowers our employees to engage and collaborate in the e-ideas program (or a variation of e-ideas) by providing them with a financial stake in the development and implementation of ideas.

Our experience with the former SAP, and the e-ideas pilot program more recently, have demonstrated that the true value of an employee suggestion program is imbedded in the organizational synergies that can result when employees engage and collaborate on specific concepts that address priority areas within the City. Fundamental to any financial incentives program will be a reward structure that promotes the employee collaboration and engagement aspects of the program, and not merely on the submission of ideas. To that end, our focus moving forward will be to assess the viability of financial incentives that emphasizes these critical areas of the program. As part of our assessment, we will also conduct research with other public agencies that have implemented employee suggestion programs to assess their best practices for incorporating financial incentives.

NEXT STEPS

The Administration will continue to assess the e-ideas pilot program and provide the City Council with a status update in December, including an assessment on the viability of e-ideas as a long-term employee suggestion, engagement, and collaboration platform. This update will factor lessons learned from the e-ideas pilot program, user feedback and best practice research with other public agencies.

The assessment may include proposed changes to the existing e-ideas program model, such as possible technological alternatives for a user interface and potential inclusion of financial incentives that will further enhance the employee engagement and collaboration aspects of the program. Based on the assessment that will be brought forward, the Administration may also recommend changes to Municipal Code provisions pertaining to the former SAP (financial incentives and the Suggestion Award Commission).

EDWARD K. SHIKADA
Assistant City Manager

For questions, please contact me at (408) 535-8190.