Theory of Employment, Interest, and Money, "…can only be taken as the result of animal spirits – a spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities." These "animal spirits" developed over millions of years of evolution. They gave early man the courage to migrate out of a small patch in East Africa to populate unknown lands and the cohesion to survive enormous adversity – several Ice Ages, massive droughts, predatory beasts, and hostile neighbors. Today, the residual, instinctual legacy of these prehistoric peoples drives herdlike, "irrationally exuberant" investment decisions that, while often harming individual investors, may collectively benefit society. As descendants of those successful mammoth hunters, we do what over eons we have become hardwired to do.

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INNOVATION

Encouraging Suggestive Behavior

by BARRY NALEBUFF AND IAN AYRES

The company suggestion box poses a be-careful-what-you-wish-for dilemma. You want lots of ideas, but what happens when you get them? Responding to each suggestion is costly, especially if someone has to identify the right person to evaluate it. If one idea in ten is worth pursuing, that's a great outcome for management but a demoralizing one for the large majority of employees whose brainchildren are rejected. And because employees don't know why their ideas failed, they don't learn how to come up with better ones.

Instead of funneling suggestions to designated experts, why not borrow a page from the open source movement and turn your workforce into critics and codevelopers of their peers' ideas? Several universities, as well as companies such as Telcordia and Biosense Webster, have built "open" suggestion boxes on their networks and invited their whole organizations to weigh in. Staff evaluate, comment on, and improve their peers'

submissions. Employee rankings then filter those ideas to help management focus on the most promising. Rejection is more palatable when served with a reason: Employees who see colleagues' feedback will know their ideas were taken seriously, even if the ideas failed to ignite.

An open suggestion box requires the enthusiastic participation of innovators and constructive critics; fortunately, their incentive is baked into the model. As with open source development, these boxes – which are like a community-innovation blog – attract the kinds of people who enjoy solving problems and sharing their solutions. Participants earn a reputation for brilliant ideas, for insightful commentary, for taking an idea that merely hums and making it sing. Then there's the shot of egoboo (that's hacker lingo for "ego boost") that occurs when an idea is implemented and its inventor gets the credit.

Not every idea belongs out in the open, and so corporate suggestion boxes are naturally restricted to employees. Interested organizations can find models on the Web. Whynot.net, for example, is a public site we developed that is based on the same software that some companies use internally, and gives the flavor of how discussion improves ideas. Take the simple notion that brake lights should shine brighter when the driver slams down his foot. The Whynot community has suggested scores of improvements.

Should the brake lights change color? Should they flash? Should there be a rear-facing horn as well?

More inspiration can be found at Halfbakery.com, which specializes in slightly off-kilter ideas, such as pre-sliced cream cheese patties with a pre-cut hole to put on bagels. There's also Thinkcycle.org, Premisespremises.com, Shouldexist.org, Globalideasbank.org, and Creativitypool.com.

Corporations' own open idea boxes have produced such improvements as expense reimbursements being added to payroll deposits; a central reservation system for meeting rooms; and HR-sponsored classes in reading and understanding monthly financial reports.

There is no one-size-fits-all suggestion box, and companies can customize their own categories, with employees' help. For example, Yale University's internal idea site invites users to point out dumb stuff it does under the heading "Broken Processes." (Management responds either by fixing the process or by explaining – to everyone at once – why the process isn't so dumb after all.) The heading "Unsolved Problems" identifies questions that would be valuable to solve. Two headings should appear in every open idea box: "We've Done It" and "We're Doing It." That's how management demonstrates it has created an incubator, not another black hole.

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