

CARRIS REELS, INC



DECISION MAKING

Presentation at

Sixth Annual Employee Ownership Conference

June 6, 2008

Introductions

David Fitz-Gerald

– VP, CFO & Treasurer

Karin McGrath

– HR Director



Carris Reels

- Headquartered in Rutland, Vermont
- Founded in 1951 by Henry Carris
- Bill Carris, his son took over in 1980
- Bill started the company down the ESOP path in 1994.
- 100% employee-owned, January 2008
- 2008 ESOP Company of the Year/ESOP Association





**Reels are Packaging for
Wire and Cable Industry**

Eleanor, Elsie, and Marie

...so you're faced with a decision...



which way to go?



what to choose?



some decisions are simple

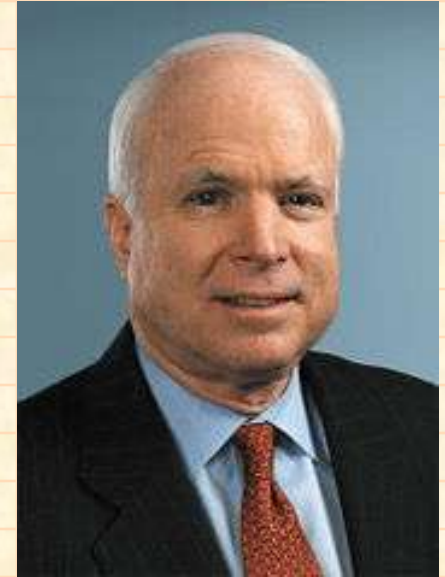


some decisions are very hard

Sort by column head (Arrow indicates current selection)

Tested model	Price as Tested	Overall Test Score	Survey	Safety	Highs	Lows
			Predicted reliability Owner satisfaction Accident avoidance Crash protection Overall MPG			
		0 P F G VG E 100				
SMALL CARS (AUTOMATIC TRANSMISSION)						
✓ Hyundai Elantra SE	\$17,980	<div><div></div></div>	● ○ ●	NA NA	27	Controls, relatively comfortable and quiet ride, secure handling, standard ESC on SE, braking. Steering feel.
✓ Honda Civic EX (AT)	\$19,610	<div><div></div></div>	● ● ●	● NA	28	Powertrain refinement, fuel economy, crash-test results, cabin storage, reliability. Road noise.
✓ Mazda3 AT	\$17,940	<div><div></div></div>	● ● ●	NA ○	27	Handling, fuel economy, turning circle, reliability. Road noise, small trunk, IIHS side-crash test w/o side- or curtain air bags.
✓ Honda Civic Hybrid	\$22,400	<div><div></div></div>	● ● ●	● NA	37	Fuel economy, low emissions, fit and finish, cabin storage, crash-test results, reliability. Road noise, no fold-down rear seat.
⊗ Volkswagen Jetta 2.5	\$23,580	<div><div></div></div>	○ ○ ●	● NA	24	Interior room, fit and finish, crash-test results, turning circle, ESC standard on most trims. Coarse engine.
✓ Hyundai Elantra GLS	\$17,555	<div><div></div></div>	● ○ ○	● NA	27	Controls, relatively comfortable and quiet ride, fuel economy, reliability. Agility.
Mitsubishi Lancer	\$17,515	<div><div></div></div>	NEVNEV ○	NA NA	25	Agility, steering, controls. Engine noise, fit and finish, braking.
✓ Nissan Sentra	\$18,855	<div><div></div></div>	○ ○ ○	NA NA	26	Ride, transmission, unique interior storage features, controls. Sloppy on-limit handling, braking.
Kia Spectra AT	\$15,905	<div><div></div></div>	○ NA ○	○ NA	25	Ride, quietness, long warranty. Acceleration, agility, IIHS side-crash result, ABS option hard to find.
Chevrolet Cobalt	\$17,350	<div><div></div></div>	○ ● ○	● NA	23	Acceleration, ride. Steering, engine noise, fuel economy, seat comfort.

...the fates of nations...



44 million votes between them

big changes in peoples lives

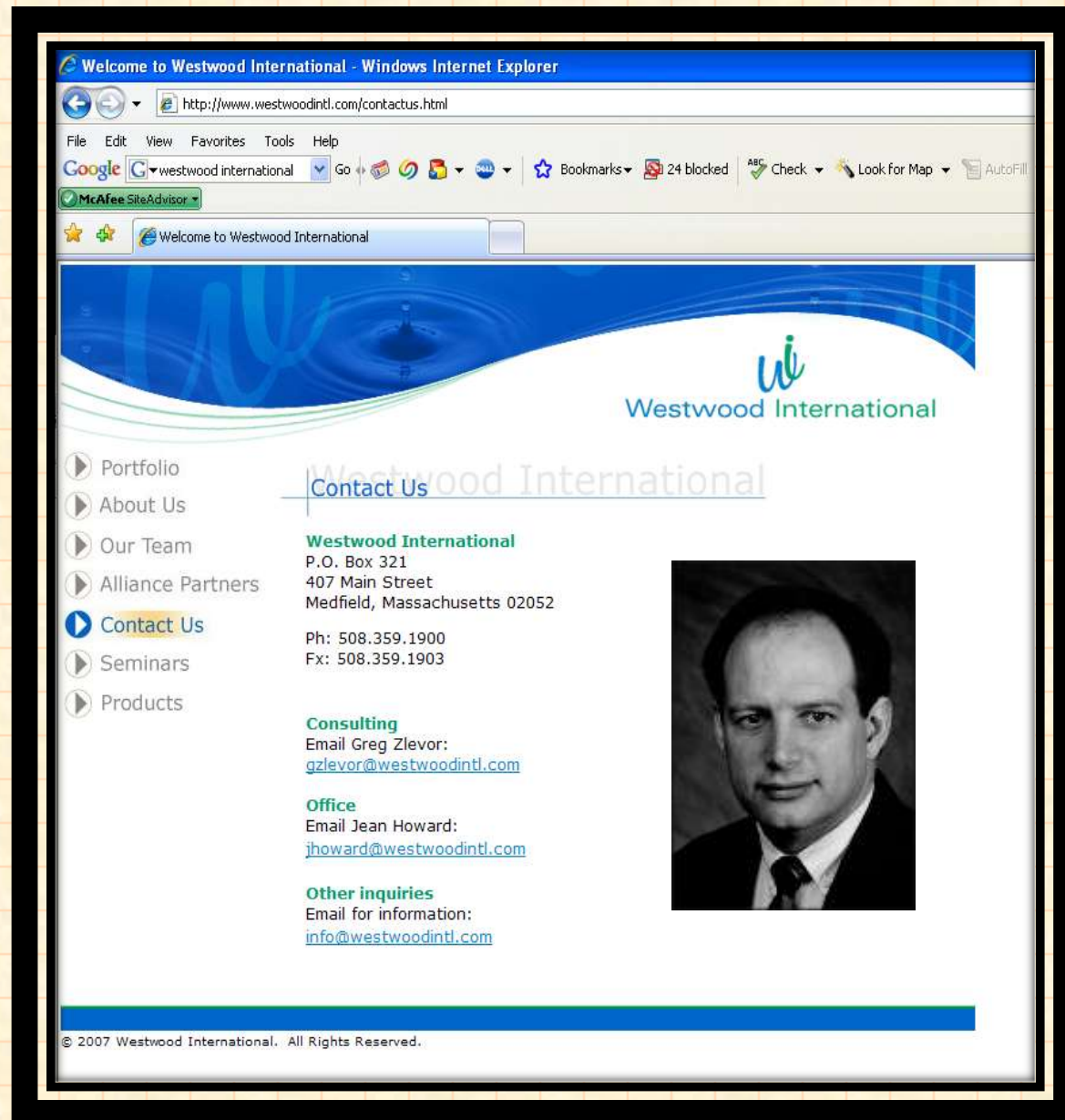


97 million votes between them

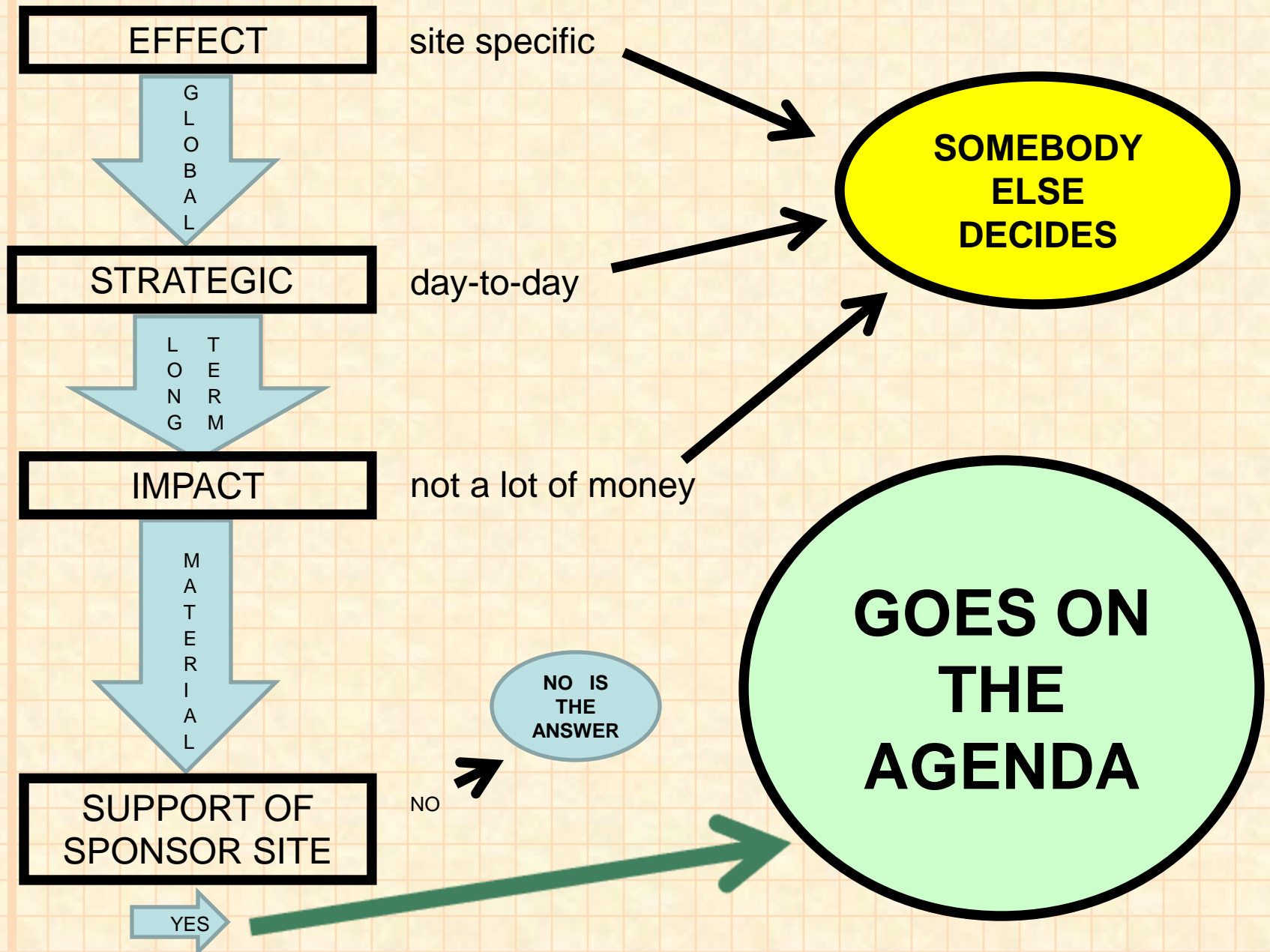
get professional help

- We worked with Greg Zlevor of Westwood International to develop a decision-making-model in 1997 for use by our steering committee.**
- We worked with Chris Mackin of Ownership Associates on training and to set up our decision making documentation and communications in 2000-1.**
- In 2007 we began working with Alex Moss of Praxis Consulting to develop our future governance systems... this will take some time!**

Greg Zlevor, Westwood International



is it a decision for the steering committee ?



Agenda building considerations

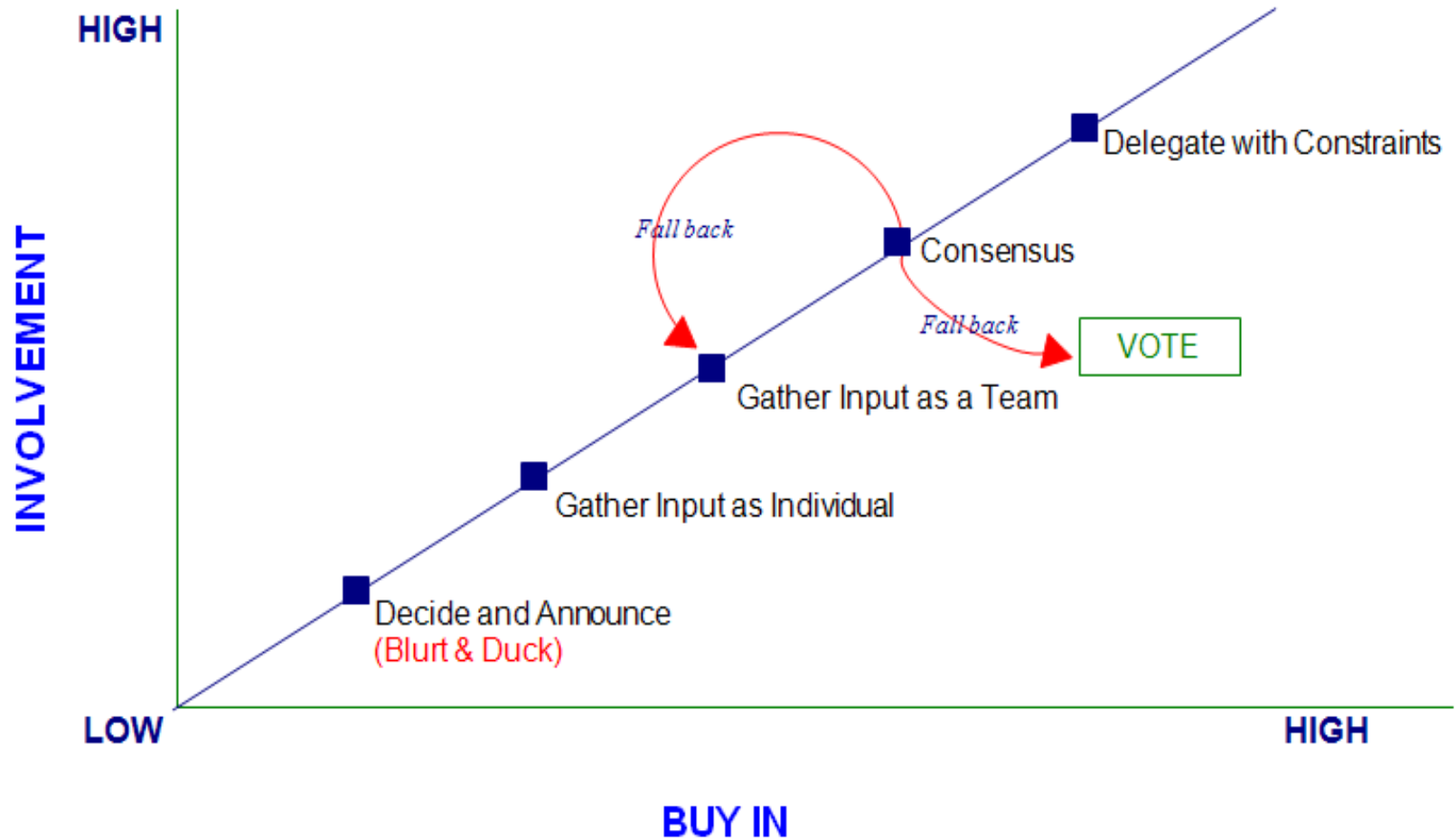
Insights

- 1. Decide what to decide on**
- 2. Before deciding, choose appropriate model**
- 3. Choose fallback model if the first choice fails**
- 4. Discuss and identify behavioral implications of each choice**

Factors to consider

- Impact on quality of life or financial impact**
- Do we need “buy-in”?**
- Do we have enough time to reach a decision?**
- Do we have all the information we need?**
- Is it a “no-brainer”?**

decision making model



OA: Contact Information - Windows Internet Explorer

http://www.ownershipassociates.com/contact.shm

File Edit View Favorites Tools Help

Google G ownership associates Go 24 blocked Check Look for Map

McAfee SiteAdvisor

OA: Contact Information

OA

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Advising new and established employee-owned companies since 1987

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ownership culture

- conducted training on building an ownership culture.
- emphasized **BALANCE** between:
 - rights and responsibilities
 - risks and rewards
- developed decision making tools



rights and responsibility

- **“for every expected right of ownership one can imagine, there is a corresponding responsibility.”**
 - **example... to have the right to participate, you may have the responsibility to get training.**

risks and rewards

- **“for every reward of ownership that can be imagined, there is a corresponding risk... risking means investing”**
 - **example, investing ourselves in the business makes the business more valuable and increases the stock value.**

decision making tools

- **decision making charts**
 - which decisions are made by whom
- **decision making grids**
 - how each type of decision is supposed to be made
- **decision reports**
 - documentation of actual decisions

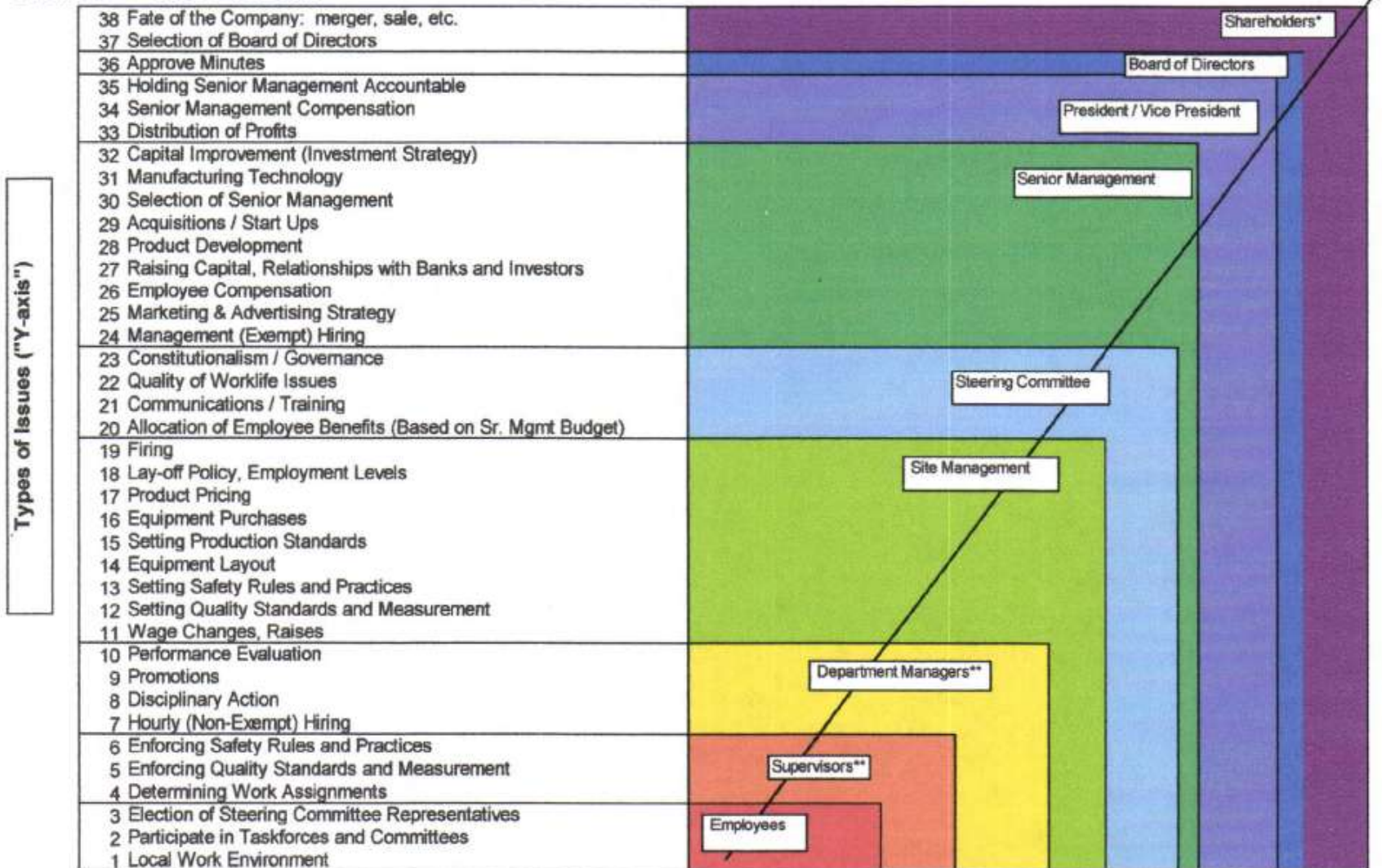
—examples to follow...

the “lingo”

- **language**
 - **Responsible person “X”**
 - **Alerter “A”**
 - **Consulted person “C”**
 - **Recipient of information “R”**
 - **Process coordinator**
 - **has the responsibility for coordinating the entire process for a particular issue.**

overview - charts

Chart B -- The Present

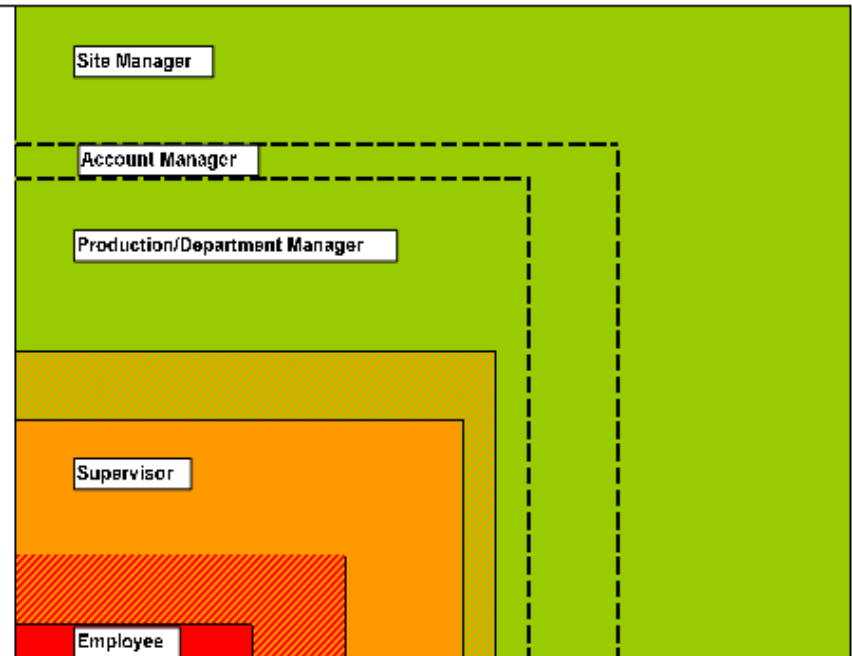


site charts

Rutland Decision Making Chart

Types of Issues ("Y-axis")

- 19 Employment Levels
- 18 Equipment Purchases
- 17 Setting Safety Rules and Practices
- 16 Setting Quality Standards and Measurement
- 15 Product Pricing
- 14 Setting Production Standards
- 13 Wage Changes, Raises
- 12 Promotions
- 11 Determining Work Assignments - between buildings
- 10 Local Work Environment
- 9 Termination
- 8 Hourly (Non-Exempt) Hiring
- 7 Equipment Layout - within department
- 6 Performance Evaluation
- 5 Disciplinary Action
- 4 Enforcing Safety Rules and Practices
- 3 Enforcing Quality Standards and Measurement
- 2 Determining Work Assignments - within department
- 1 Election of Steering Committee Representatives



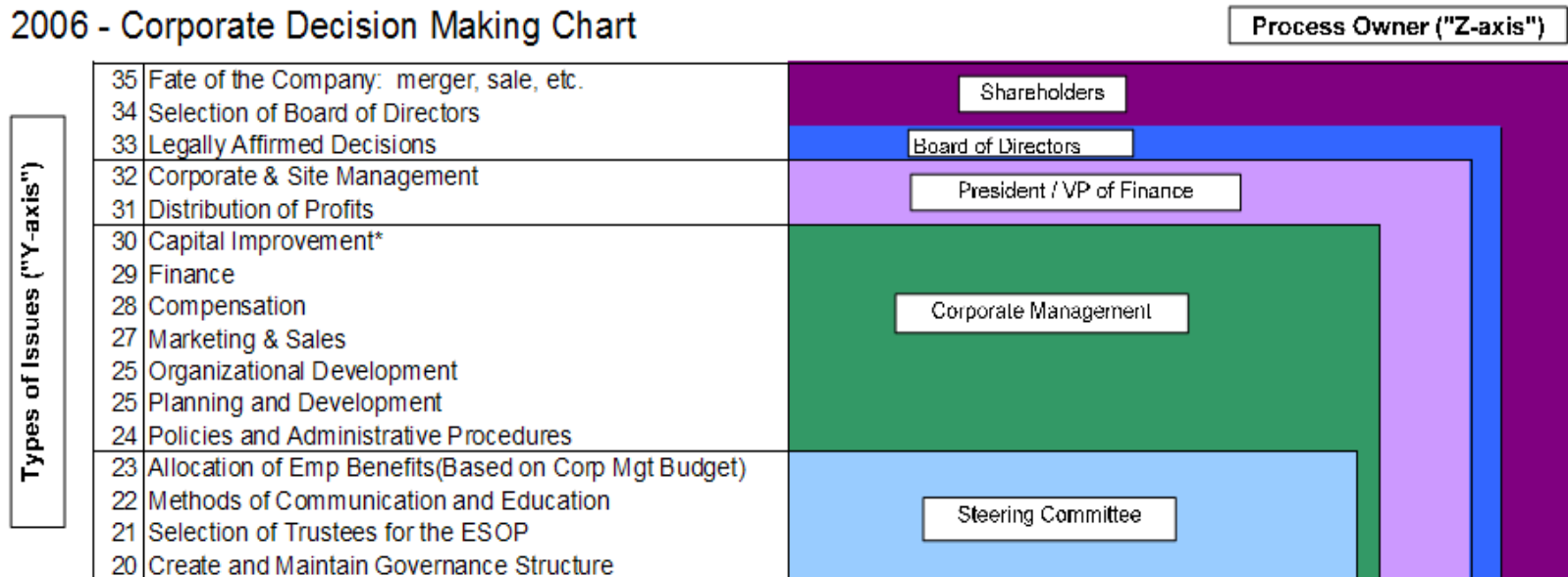
Decision-Making Process ("X-axis")

August 2008
Rutland Decision Making Committee

Rutland consists of Mill 100, Mill, Tin & Bolts, Truck Garage, and R&D.

corporate charts

2006 - Corporate Decision Making Chart



Revised: September 2006

*dollar amount

Decision Making Grid

Decision Making Grid							
Issue: Equipment Purchases		Authority Zone:					
Process Coordinator: Site Manager							
<p>Each step will have... X = Responsible Person(s)</p> <p>Each step may have... A = Alerts Responsible Person(s) C = Consulted Person(s) R = Recipients of Information</p>		1. Initiate Process (If yes, go to step 2.)	2. Gather Information	3. Generate Alternatives	4. Make Decision	5. Inform Others	6. Review Decision
Employees ↓	1. All CCC Members/Employees						
	2. All Site Employees						
	3. Employee Work Groups*						
	4. Affected Employees*	A	C	C		R	A
	5. Selected Employees*						
	6. Committee*						
Supervision ↓	7. Leads						
	8. Supervisors	A	C	C		R	A
Site Mgt. ↓	9. Production/Department Manager	A	C	C		R	A
	10. Site Manager	X	X	X	X	X	X
	11. Local HR						
	12. Local Sales	A	C	C		R	A
	13. Engineering / R&D	A	C	C		R	A
Corp Mgt. ↓	14. Corporate HR						
	15. Corporate Safety						
	16. Corporate Finance		C	C		R	
	17. Corporate Sales & Marketing						
	18. Corporate Operations		C	C		R	
Pres. / VP ↓	19. Vice President		C	C		R	
	20. President / CEO						
Steering Comm. ↓	21. Steering Committee Reps						
	22. Corporate Steering Committee						
Board	23. Board of Directors						
Shareholders	24. Shareholders						
	25. Other: * Maintenance	A	C	C		R	A

Grid No. 18
written: 8/19/2004
Rutland

Vice President HAS VETO POWER OVER THIS DECISION.
(from the list above)

All site employees have the right and the responsibility to alert someone that they believe a decision.

- Example from Vermont

Sample Decision Report



Carris Decision Report

2007/07/Lantech Stretch Wrap Machine
(year / month / issue)

ISSUE: A decision was made on the following issue: purchase another wrap machine for the mill.

DATE: This decision was made on 7/17/2007

DECISION: We decided *(check off one of the following)*

- ☐ Not to initiate the process (step 1)
- ☐ To take no action (step 4)
- ☒ To take the following action: Purchase a wrap machine for wrapping KD and stock for internal use.

REASON: This decision was made because the current wrap machine used (which came from NE Reel) is not stretching the material which is using more wrap on each load. The cost of a new wrap machine will pay for itself in a year with the proper stretching of the wrap. The cost of the new wrap machine is approx. \$10,750.

DECISION MAKERS: This decision was made by Gary Farrell, Tim Lybeck and Mike Bryant. Mike brought it to the attention of Gary Farrell about the waste created when the machine isn't stretching the plastic in the process of wrapping.

INFORMATION: People with the right to be informed about this decision are Carris Reels Rutland.

They can talk to their supervisor or Gary Farrell for more information.

NEXT STEPS: The person/people who will review this decision are the operators that use the wrap machine and Gary Farrell.

The decision will be reviewed on *(date)* On going basis.

GRID # 18 Equipment Purchase

- **Equipment purchase**

6 steps in decision making process

- 1. Initiate process**
- 2. Gather information**
- 3. Generate alternatives**
- 4. Make decisions**
- 5. Inform others**
- 6. Review decision**

Six Step Decision Making Process

Step 1



Alert

Initiate process

Step 2



Gather Information

Step 3



Generate alternatives

Step 4



Make a decision based on gathering information and generating alternatives in steps 2 and 3.

Step 5



Inform all of those involved in the process.

Step 6



Employee(s) alert there needs to be a review of the decision

next phase: governance

- **more specifically, now that we're 100% employee-owned we want to become employee-governed as well.**
- **over the next couple years we will need to institutionalize how we will deal with board of directors issues and management succession issues.**
- **we are studying what other employee-owned companies are doing in this area.**
- **Alex Moss of Praxis is facilitating this process.**

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QUESTIONS?