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
...so you’re faced with a decision...
which way to go?
what to choose?
some decisions are simple
Some decisions are very hard.
...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!
is it a decision for the steering committee?

- **EFFECT**
  - Global
  - Site specific

- **STRATEGIC**
  - Long-term
  - Day-to-day

- **IMPACT**
  - Material
  - Not a lot of money

- **SUPPORT OF SPONSOR SITE**
  - Yes
  - No

- **SOMEBODY ELSE DECIDES**

- **GOES ON THE AGENDA**
  - No is the answer
# 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”?
Ownership Associates, Inc.
Advising new and established employee-owned companies since 1987

Contact

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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.
Chart B – The Present

- Fate of the Company: merger, sale, etc.
- Selection of Board of Directors
- Approve Minutes
- Holding Senior Management Accountable
- Senior Management Compensation
- Distribution of Profits
- Capital Improvement (Investment Strategy)
- Manufacturing Technology
- Selection of Senior Management
- Acquisitions / Start Ups
- Product Development
- Raising Capital, Relationships with Banks and Investors
- Employee Compensation
- Marketing & Advertising Strategy
- Management (Exempt) Hiring
- Constitutionalism / Governance
- Quality of Worklife Issues
- Communications / Training
- Allocation of Employee Benefits (Based on Sr. Mgmt Budget)
- Firing
- Lay-off Policy, Employment Levels
- Product Pricing
- Equipment Purchases
- Setting Production Standards
- Equipment Layout
- Setting Safety Rules and Practices
- Setting Quality Standards and Measurement
- Wage Changes, Raises
- Performance Evaluation
- Promotions
- Disciplinary Action
- Hourly (Non-Exempt) Hiring
- Enforcing Safety Rules and Practices
- Enforcing Quality Standards and Measurement
- Determining Work Assignments
- Election of Steering Committee Representatives
- Participate in Taskforces and Committees
- Local Work Environment
- Department Managers**
- Supervisors**
- Employees
- Site Management
- Steering Committee
- Senior Management
- President / Vice President
- Board of Directors
- Shareholders**
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

Process Owner ("Z-axis")
Primary Responsibility

- Site Manager
- Account Manager
- Production/Department Manager
- Supervisor
- Employee

Decision-Making Process ("X-axis")

August 2006
Rutland Decision Making Committee

Rutland consists of Mill 100, Mill, Tin & Bolts, Truck Garage, and R&D.
2006 - Corporate Decision Making Chart

35 Fate of the Company: merger, sale, etc.
34 Selection of Board of Directors
33 Legally Affirmed Decisions
32 Corporate & Site Management
31 Distribution of Profits
30 Capital Improvement*
29 Finance
28 Compensation
27 Marketing & Sales
25 Organizational Development
25 Planning and Development
24 Policies and Administrative Procedures
23 Allocation of Emp Benefits (Based on Corp Mgt Budget)
22 Methods of Communication and Education
21 Selection of Trustees for the ESOP
20 Create and Maintain Governance Structure

Revised: September 2006
*dollar amount
### Decision Making Grid

**Issue:** Equipment Purchases  
**Process Coordinator:** Site Manager

#### Authority Zone:

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#### Employees

1. All CCC Members/Employees
2. All Site Employees
3. Employee Work Group
4. Affected Employees
5. Selected Employees
6. Committee

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#### Supervision

7. Leads
8. Supervisors

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#### Site Mgmt.

9. Production/Department Manager
10. Site Manager
11. Local HR
12. Local Sales
13. Engineering/R&D

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#### Corp Mgmt.

14. Corporate HR
15. Corporate Safety
16. Corporate Finance
17. Corporate Sales & Marketing
18. Corporate Operations

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#### Pres. / VP

19. Vice President
20. President / CEO

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#### Steering Comm.

21. Steering Committee Recs
22. Corporate Steering Committee

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#### Board

23. Board of Directors
24. Shareholders

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#### Shareholders

25. Others* Maintenance

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**Grid No.:** 13  
**Written:** 3/19/2004  
**Noted:**

- **Vice President** has veto power over this decision.

All steps have a focus point and the responsibility to alert anyone that they believe a decision needs to be made.
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
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
Employee(s) alert there needs to be a review of the decision.

Step 2: Initiate process

Step 3: Gather Information

Step 4: Generate alternatives

Step 5: Inform all of those involved in the process.

Step 6: Review
Make a decision based on gathering information and generating alternatives in steps 2 and 3.
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.
Welcome to Praxis Consulting Group

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QUESTIONS?