WE'LL STAY SOLID WITH

INVESTORS

CUSTOMERS

EMPLOYEES

I.C.E.

I.C.E.

SPRING ENGINEERING AND MANUFACTURING CORPORATION
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Dear Spring Engineering Team Members:

This year you will have the unique opportunity to change the manner in which we work together, solve problems and reward each other at Spring Engineering & Manufacturing Corporation. You have before you a handbook that clearly describes a powerful way of operating as a team. More than that, it provides a set of values and expectations upon which we can build a successful future for this company.

In developing the ICE Plan, the AD HOC Committee has met their goal of providing the company with a system that provides opportunity for all to participate and an opportunity for all to be rewarded. As you will see, the plan is much more than a collection of rules and formulas, it is a “vision” of how we would like to be as a company. It describes our company values, as well as, our expectations about ourselves and fellow teammates.

Having an opportunity is no guarantee of success. It now requires all of us to make a commitment to change. It requires that we agree to always seek a “fair and balanced” return for all stakeholders. More importantly, it requires that we participate everyday as true “business partners”. It has become very clear, to us on the AD HOC Committee, that this plan is truly the way this company should be run.

Each person at Spring Engineering & Manufacturing Corporation now has the opportunity to commit and become an active, participating stakeholder in this company. I encourage you to think about it, discuss it, question it and then support it.

Lastly, I would like to thank the AD HOC Committee for their tremendous effort in putting together this vision for Spring Engineering. They set an example for all of us as to what participation really means.

Sincerely,

Tim Tindall
President
Dear Co-Workers:

Life usually is a struggle and we all have to work very hard to have food, clothes, homes, cars, and even jobs. It is a tough cold world out there. Opportunity usually isn't knocking down our front door; we have to go out in the world and find it. In life though, as in everything there are exceptions. One such exception is the opportunity that is knocking on our door here at Spring Engineering & Manufacturing Corporation. The ICE Plan! Which stands for Investors, Customers, and Employees.

The ICE Plan offers us the opportunity of growth as individuals which in turn helps our company grow. When our company grows so do our earnings as well as the demand for our skills and abilities. These are two examples of things that we as employees said we wanted in our jobs, increased wages and job security. The opportunity is there we just have to take advantage of it.

The Ad Hoc committee was elected to revise and improve the existing Scanlon Plan by clearly defining what needs to happen to make the Triangle grow. We are pleased to present you with this handbook that describes in detail our new ICE plan. In it you will find answers as to how our new participation system will work. Also how the Equity formula and the 5 indicators will provide a fair and balanced return for all. We have included sections on our company history, present conditions and the future.

If the ICE Plan is voted in by 85% majority it will be in place for a 24 month trial period, beginning January 1, 1995 to January 1, 1997. The ICE Plan will then be open for revision to determine its future. We all worked diligently on the ICE Plan and we hope you find it clear, forthright, and informative. Please read the ICE Plan book carefully so you can cast a knowledgeable vote. We on the Ad-Hoc committee strongly support this proposal and encourage you to do the same.

Sincerely,

The Ad Hoc Committee

[Signatures]
The actual beginning of Spring Engineering took place in the basement of a small house in northwest Detroit around 1950. Byron Tindall, a worker at Precision Spring in Detroit had a kick press and some crude tools in his basement. He was "moonlighting" after hours making parts for a few customers. In those days, everyone in the family (yes, even Tim age 4) took a turn at the kick press in the evening.

Eventually things got a little crowded in the basement. So in 1952 Byron, along with John Woods another Precision Spring employee, formed a partnership and officially established Spring Engineering & Manufacturing Corporation. Both men scraped together a total of less than $5000, and rented a small corner of a building on 8 Mile Rd. near Evergreen in Detroit. In this 10x20 room, they squeezed a fourslide machine, a small punch press, 2 kick presses, a drill, and a workbench. They began making prototypes and some production clips. This place was so small that whenever John had to get to the workbench, Byron had to get up from the press to let him get by.

The two partners stayed on 8 Mile until 1955. Then they moved the business to a larger building (about 2000 square ft) on Mansfield in northwest Detroit. The building is still there. During the next 3 years the company hired 5 more people, some of whom just recently retired in 1992. More equipment was added including a spring coiler, more fourslide machines, a punch press and some toolroom equipment. During these years Ford Motor Company became one of our customers, and today Ford is one of our biggest customers.

The company continued to steadily grow, adding new customers and increasing sales. By 1959 Spring Engineering & Manufacturing Corporation again moved to a larger facility at Plymouth Road near Evergreen. It was during this time that Byron's oldest son, Ken Tindall, joined the company as general manager.

In 1962, Byron Tindall completed the buy out of his partner John Woods. Byron became sole owner of the rapidly growing business. During the 1960's the company sales were
divided equally between automotive and other industries such as computers and aerospace. Our current profit sharing plan was implemented during this period. We continued to add additional people and equipment in our main departments: coiling, grinding, samples, fourslide and the toolroom.

By 1978, it became clear that it was time to expand again into a larger facility. In the spring of 1979, all 24 employees of Spring Engineering & Manufacturing Corporation happily moved into a brand new 40,000 sq. ft. plant which is now our current location. Tim Tindall, another of Byron's sons, joined the company as plant manager during this same time.

In 1980, Bryon who was now 78 and still working everyday, decided that it was time to retire. Ken Tindall became president with Tim moving into the vice president's role in 1985. The 1980's witnessed an even higher growth rate than ever before. Our sales in 1987 were four times greater than in 1979. By now we had added our press and multislide departments to the growing business. We also doubled the number of members in the Spring Engineering family.

Tragically, 1988 witnessed the sudden death of Ken Tindall to a brain tumor. Tim Tindall became president and with the skill and support of the loyal Spring Engineering team he was able to continue the steady growth and improvement of the business.

A lot has occurred in the over forty years of Spring Engineering's existence. We now sell more in one month than we used to sell in an entire year. Our team has grown to over 70 people with a diversity of skills supporting a wide variety of manufacturing processes. Regrettably, we cannot single out the many key people who have and continue to contribute to the success of this company. The success of this business, like anything else, is ultimately founded upon excellent people doing an exceptional job.

You are part of a long tradition of providing our customers with a very high level of exceptional service. Extending from engineering and design through prototypes and full production. We will continue to grow, to change, to improve and look forward to an exciting and successful future.
THE INVESTOR
Spring Engineering and Manufacturing has been in the Tindall family since 1962. Tim Tindall took over as president and majority owner in 1988. Tim feels the owner's responsibility is not only to provide the necessary capital to grow the business but also provide the business with a participative management structure. Tim believes that the employees are Spring Engineering's greatest asset and only when the employees can influence the decision making process will the company prosper.

From the investors view point, Tim considers Spring Engineering to be a sound company but has not produced a high return on investment (ROI). He sees that there is potential to generate an even greater ROI by including the employees as business partners. His goal is to become a World Class organization, in the eyes of the investor, the customer and the employee.

THE CUSTOMERS
Spring Engineering is a full service supplier to the Automotive and Aerospace industries. We produce a wide range of precision springs, stampings and wire forms. We also provide engineering and prototype support for the customers through the design phase of a project.

Some of our major customers are:
Ford Motor  Robert Bosch  Aeroquip Inc.
General Motors  Britax Inc.

Our complete customer list includes 131 different customers. This number is down from 1993 because of a focused effort to identify and seek customers that will fit our growth plans and eliminate the customers that have shown no potential to grow our sales. We will continue to evaluate new and current customers to insure they can support their side of the triangle.

Our customers generally see us as a good supplier. Recently our performance has slipped in quality and delivery. The customer demands two things when placing business with us or any supplier; perfect quality and the ability to meet their delivery requirements.

THE EMPLOYEES
The heart of our operation is the over 70 people running the show. We have a good balance of experience and enthusiasm. This provides us with the skills necessary to meet the needs of the investor and the customer. Most feel secure about the company, with pride and motivation in their jobs. In a recent
survey we learned that we are generally satisfied with Spring Engineering, but we need to work in the areas of employee recognition and wages.

IS THERE A NEED TO CHANGE?
We have all the right elements to be successful, an investor with capitol and vision, customers with good growth potential and employees that have the necessary skills. We even have a Scanlon gainsharing plan. Why do we need to change?

We are in a battle for survival in a very tough and competitive industry. The winners in this battle are the companies that can successfully adapt to the constant changes that are occurring every day in our business world. The losers will be those that couldn’t or wouldn’t change.

The ICE Plan was created as a way for us to successfully adjust to changing conditions, making sure that we maintain our position of leadership in our industry. To do this, we know that we have to get the full participation of all members of the company.

We also believe that a company is similar to a triangle with three equally important “stakeholders”; the investor, the customer, and the employee. Each stakeholder is dependent on the other for their survival. Each stakeholder has certain essential requirements or “mandates” that they must receive from the company.

We believe that if each stakeholder receives a “fair and balanced return” on their investment, the company will grow and prosper. If any one of the stakeholders does not receive a fair return, then the triangle will be out of balance and in danger of falling apart. If the customers receive poor quality they will move their business. If the employees receive poor wages or no recognition they will leave. If the investors receive little profit on their investment they will end their investment.

The ICE Plan seeks to provide us with a way to maintain a balanced and fair triangle for all stakeholders. It provides us with:

- A way to steer the company using employee participation in the suggestion system.

- A way to give us feedback on how we are doing through our performance measurables.

- A way to provide a fair return for our efforts, be they good or bad.
We must understand that success for any of us means success for all of us.

When we think about our future, we think not just about change but about opportunity as well. We have sought excellence throughout our history, and must continue to learn, change and innovate to achieve excellence in a future where the stakes are higher, the challenges more demanding and the competition keener. Our focus will remain on the highest quality products and service and on managing our changing world to achieve the qualities necessary to become a World Class supplier.

We will continue to progress toward our goals by calling on the talent, intelligence and good will of our people. We must maintain the collective sense of “team” that sets us apart from others, giving us a competitive edge and the determination to keep that edge. We must understand that success for any of us means success for all of us.

To prepare for the future we have set up a process of ongoing involvement through education, participation, and the maintenance of equity. This process will allow us to identify strengths and weaknesses, seize opportunities, overcome obstacles and accept challenges.

The process is called ICE and it invites participation, responsibility, accountability, education, productivity, and recognition from all of us. ICE is the future of Spring Engineering & Manufacturing Corporation.
The ICE Plan is a system for our company to follow that will provide all of us an opportunity to actively participate in problem solving and decision making, as well as an opportunity to share in the consequences of our efforts. Our guiding vision will be that of the TRIANGLE of stakeholders and our goal will be to provide a fair and balanced return for each stakeholders investment.

This book describes the mechanics of the two main systems of the ICE plan, Participation and Equity. This overview will describe how these two pieces fit together to make an efficient system.

PARTICIPATION
The ICE Plan starts and ends with you. It is intended to be a way for you and your department team to both "do the right job" and "do the job right". It will provide you with information as to how you and the company are doing and also a system for each of us to participate in solving problems and improving the company.

At the center of the ICE system will be a plant team called the ICE TEAM. This team will be made up of representatives from all areas of the company; some elected and some appointed. This important group will be the "custodians" of the plan. They will be responsible to:

- Help set our performance goals
- Communicate company progress
- Coordinate and implement suggestions
- Approve quarterly bonus payments
- Make any future changes to the ICE Plan

The ICE Plan will measure how we are doing in five main areas of performance;

- Profit
- Productivity
- Quality
- Scrap
- Delivery

The team will be responsible to tell us "What day it is?" for the company in each of these categories. By monitoring these five indicators the ICE Team will be able to focus each department on specific problem solving or improvement needs. The ICE Team will then monitor and coordinate the suggestions and improvement activities coming from each department. As each month goes by, the ICE team will be able to tell us if we are "doing the job right" and improving the company.
EQUITY
The other half of our ICE Plan will be sharing in the consequences of our efforts. Our goal will be for each stakeholder in the company (Customer, Employee and Investor) to receive a “fair and balanced” return for their investment. Our ICE Equity formula provides us with a fair way to measure and reward our progress in each of the five categories. The formula will assign a specific dollar value to each level of possible improvement in each of the five performance areas.

You will be able to watch as your problem solving efforts start to improve each of the indicators and also see how many bonus dollars the indicator will pay. In order to be fair and balanced the formula will also provide negative consequences (take away bonus dollars) for lack of improvement.

As you can see, the ICE Plan is created to keep our company successful and competitive in the coming years. If used correctly it will identify opportunities for improvement, encourage active participation by team members and provide a fair and balanced return for all. As we mentioned at the beginning of this article, the ICE Plan begins and ends with you. You and the amount of your participation as a “business partner” will determine the future success of both the plan and Spring Engineering & Manufacturing Corporation.
PARTICIPATION

PREFACE

Participation is the value and responsibility is the process.

At Spring Engineering & Manufacturing Corporation, we believe in and require “results oriented” employee involvement and ownership for the betterment of all stakeholders of the I.C.E. Triangle (Employee, Investor, & Customer).

What is “Participation”? The opportunity to actively influence the decision making process within ones’ own area of competence.

What is “Responsibility”? Each member of Spring Engineering & Manufacturing Corporation is challenged to “own the problem” as it relates to all sides of the Triangle.

In order to implement an effective participation process, it should be:

- Fair to all sides of the Triangle
- Simple and easy to use
- Organized
- Easy to implement
- Team oriented
- Effective

And by “effective”, we mean it should generate:

- Results (profits, quality, employee satisfaction, etc.)
- Employee involvement (opportunity)
- Employee ownership (responsibility)
- Problem solving (suggestions & ideas)

All Spring Engineering & Manufacturing Corporation employees should accept responsibility for meeting the needs of the customers, investors and fellow employees. Accepting responsibility means that we will be focused in applying our resources to the right problems and opportunities.
There are five specific levels in the I.C.E. Plan. They are as follows.

**EMPLOYEE**
Each employee at Spring Engineering & Manufacturing Corporation has the responsibility to “do the job right”. Utilizing their skills will make them an involved and influential part of the I.C.E. Plan.

**DEPARTMENT TEAMS**
Each department is a team. Taking suggestions and working as a team will make each department very effective in “growing the Triangle”. These teams work closely and communicate with the I.C.E. Team though each departments’ representative.

**I.C.E. TEAM**
The responsibilities of the I.C.E. Team are to administrate the I.C.E. Plan, monitor and approve suggestions and assist the Management Team in setting goals, objectives and baselines for the company. This team is critical to the effectiveness of the I.C.E. Plan.

**MANAGEMENT TEAM**
This team works closely with the president to set the direction of Spring Engineering & Manufacturing Corporation. They help assure we “do the right job”.

**PRESIDENT**
Tim Tindall is the president of the company and, as such, has a large part in all decisions made within the company.
THE SUGGESTER
The suggestion system begins with an employee who has an idea or suggestion. It's the employees responsibility to write that suggestion down on a Suggestion Form. Once it is properly filled out, the suggestion will be placed in a specified basket. There will be one for every department.

THE TEAM
It will be the team leaders' responsibility to bring these suggestions to the department meetings. In the meeting, the suggestion will be reviewed by the entire team and a decision will be made by group consensus as to whether it will be accepted or declined. A written reason must be given on the suggestion form, either way. This way no suggestion can be arbitrarily accepted or declined. Having the whole team review each suggestion will hopefully improve suggestions as well.

“SIGNING UP” TO IMPLEMENTING
The team must also “sign-up” to get the accepted suggestions implemented. An estimated start and finish date should be provided. Also, if possible, the team should figure out how much it will cost to implement and what the savings will be. It's possible a resource person will be needed for this. This should be indicated on the form so the I.C.E. Coordinator will easily identify it and pass it to the proper resource.

THE I.C.E. COORDINATOR
After the department has decided on the suggestion, the form is given to the I.C.E. Coordinator by the team leader. The Coordinator will be responsible for logging and tracking all suggestions. The Coordinator will also make sure that, when needed, suggestions go to the correct resource person and follow up on it. The Coordinator prepares all suggestions for review by the I.C.E. Team and provides the necessary feedback to the department and the suggester.

I.C.E. TEAM
The final stage in the suggestion process is the I.C.E. Team. The make up of this team is as follows: each department team rep., quality rep., engineering rep., materials rep., accounting rep., the coordinator and the president of the company. Elected reps. will sit on the committee for six months and then be rotated. This will provide a revolving door of new “blood” in the Team. Anyone not willing or wanting to participate in the I.C.E. Team can step down and be replaced by someone who does.
The I.C.E. Team will have the final review of all suggestions, with the exception of suggestions implemented directly at the department level (see Suggestion Option section). They will make one of the following recommendations:

1. Accept & Implement
2. Decline & Feedback
3. Conduct Further Research
4. Refer to Coordinator

Once a consensus has been reached, they will provide feedback to the teams. Individual, as well as team, accomplishments will be captured and recognized for their merit and contribution to "growing the Triangle".

The I.C.E. Team will be involved in setting annual goals, objectives, baselines, etc. for the company. They will be the "custodians" of the system.

IMMEDIATE IMPLEMENTATION
The team has the option of implementing suggestions immediately if the total cost of all suggestions is within a predetermined quarterly budget of $1,500.00. If the team members feel strongly enough about a suggestion, that it will reap positive results, it can be implemented immediately. The suggestion form must still be filled out and passed on for review in the I.C.E. Team. This will allow other departments to possibly benefit from the same suggestion. Once the department's budget has been reached, all suggestions must go to the I.C.E. Team for review before being implemented.

APPEAL PROCESS
If the suggesters' idea has been declined by the team, they have the option of an Appeal. The suggester can appeal the department's decision to decline the suggestion if they can present a good case for it. In this instance, the suggester would contact the Coordinator. This way the Coordinator can highlight the suggestion on the I.C.E. Teams' agenda. The suggester will be the person who presents this suggestion to the I.C.E. Team, however.
TIMELY & FAIR
In order to ensure a smooth flow through the suggestion system, there must be accountability at all levels (department, coordinator, committees, etc.). The I.C.E. Coordinator will be vital in this area, but all teams are held accountable for moving the suggestion to the next level.

Another factor to be considered in the area of fairness is that of personal responsibility. Actively listening and participating, providing accurate and complete information on team issues and supporting other team members is “owning the problem” and ensures fairness for all team members.

SUGGESTION RESPONSE TIME
There are a few different factors built into the plan that will ensure a timely and fair response. The maximum cycle should be four weeks for the suggestion to flow through the system and the suggester to receive feedback. This is due to the I.C.E. Team meeting at the end of each month. Therefore, if a suggestion is put into the system at the beginning of the month, it would be 4 weeks before it receives a review by the I.C.E. Team. The suggestions are also going to be tracked numerically and forms will be in triplicate so each person in the flow will have a copy (Suggester, Leader, Resource Person and Coordinator).

APPROPRIATE SUGGESTIONS
Most suggestions are ones that can be resolved within the suggesters own work team. Examples of appropriate suggestions (per the suggestion form) are as follows: tools, safety, machine, quality, customer service and productivity. The focus is work related. There are some types of suggestions that are not appropriate for this process. Generally, decisions regarding employment matters (hiring, discipline, terminations, etc.), personnel and personal issues should not be addressed through the idea system. These issues should be handled through existing procedures.

I.C.E. PROCESS REVIEW
The I.C.E. Team will be responsible for evaluating the I.C.E. process on a quarterly basis. They will gather information on the outcomes, successes and failures for a specific quarter and record this. At the end of the year, the Team will review all information (including suggestions regarding the plan and a yearly survey) gathered through the year and propose changes to correct any problems. Any changes will be voted on by the entire company, just like the initial plan vote.
MONTHLY COMPANY-WIDE MEETINGS
Plant-wide meetings "fit" into the system as a way of keeping people informed about "What day is it?" (i.e. company performance, problems, opportunities, bonus results, special team achievements, etc.). Company-wide meetings are viewed as an important part of the I.C.E. process.

RESOURCE PERSON
The Resource Person is a vital part of the support system for the I.C.E. Plan. This person is anyone qualified to answer questions or make decisions that are outside the departments area of competence. Examples of a Resource Person could be:

Accounting personnel making recommendations on monetary issues.

Engineering personnel in the case of tooling or process changes.

It is also possible for the Resource to be on another team (Safety, Housekeeping, P&P, Etc.), if appropriate.

MANAGEMENT TEAM - "DO THE RIGHT JOB"
The I.C.E. Team is also going to receive input and information from the management team as to the current status of the company. This will allow the team members to channel participation into key areas. The department leaders will go back to their departments' with this information so all personnel are knowledgeable as to "What day is it?"

The management team provides the necessary information to the I.C.E. Team as to "What day is it?" for Spring Engineering & Manufacturing Corporation. This will help the suggesters, departments and the I.C.E. Team be successful. It will allow them to do the "right job". The management team will also be monitoring the results of the efforts of the teams and be providing feedback, as well as providing rewards and recognition.

TEAM PURPOSE
Each department team has the responsibility to meet weekly. The teams will be expected to incorporate time for suggestion discussions and problem solving. The team is led by the department leader. The purpose of each team is to assure that every team member is well informed about "What day is it?" and to make sure no suggestions, thoughts or ideas are dismissed without proper consideration.
TEAM MEMBERSHIP
Teams are departmentally defined with the exception of cross-functional teams (Leaders, P&P, Safety, etc.). Each department will be a team with its own leader. All team members should:

- Be present at meetings to give them an opportunity to express their ideas and opinions about department/company issues.
- Be prepared for each meeting.
- Actively listen and participate.
- Be willing to commit to the teams’ action plans.
- Provide accurate and complete information regarding meeting issues and support other team members.

LEADERS
Department leaders will lead their teams. Leaders are best capable, due to their training, to lead in techniques (problem solving, etc...) that will allow the plan to really produce results. Each department will elect a back-up leader to lead in the absence of the department leader. Leaders may have particularly qualified persons lead certain discussions, but they are still the core of the teams’ leadership. The leaders responsibility is to:

- Start and end meetings.
- Plan the meetings.
- Keep the teams’ direction.
- Seek consensus* on issues.
- Maintain control of the meeting.

*consensus - all members must be in support of the decision and commit to its implementation.

TEAM AUTHORITY
The department team is the entry point for suggestions into the system, thus they will have a large influence on the suggestions’ acceptance or rejection. The department team can implement ideas that relate specifically to their team, if a consensus is reached and if no other department is affected by the idea. If outside help is needed, the department leader notifies the I.C.E. Coordinator, who in turn, notifies the proper resource person.

TEAM RESPONSIBILITIES
Every team member is charged to “own the problem”. Gaining knowledge of the four values of I.C.E. and their relationships to one another as well as the balanced triangle (Investors, Customers, and Employees) will enable everyone to grow together and become Business Partners.
Examples of team responsibilities would be:
- Problem solving
- Setting & achieving goals
- Continuous improvement
- Monitoring & responding to operational indicators
- Becoming better informed about company and team performance and problems

TRAINING
Each team at Spring Engineering & Manufacturing Corporation is unique, thus their training should be as well. Each team member will learn the basics of the plan. Specialized training (problem solving, computer literacy, quality, leadership, etc.) will be applied on an individual or team basis as the need arises. The proper training for each team will make them more able to influence decisions within their own area of competence.

TEAM MONITORING
Working as a team, as described above, will provide the team with solid results. Monitoring our progress using clear measurables will assure the team that they are moving in the right direction. Department meeting agendas and minutes, as well as plant meetings are a good way for teams to communicate individual progress. This way, all teams are aware of each others activities.
**SUGGESTION FORM**

TO BE COMPLETED BY SUGGESTER

<table>
<thead>
<tr>
<th>Dept:</th>
<th>Date:</th>
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This suggestion is related to (circle all that apply):

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<tr>
<th>Tools</th>
<th>Machine</th>
<th>Department</th>
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<tbody>
<tr>
<td>Safety</td>
<td>Production</td>
<td>Administration</td>
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<tr>
<td>Quality</td>
<td>Housekeeping</td>
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<table>
<thead>
<tr>
<th>Quality</th>
<th>Housekeeping</th>
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<tbody>
<tr>
<td>Customer Service</td>
<td>Misc.</td>
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Describe your suggestion: (what it is, why should it be done, and how should it be done. Use back of paper if more room is needed.)

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<tr>
<th>Description</th>
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TO BE COMPLETED DURING DEPARTMENT MEETING BY TEAM LEADER

Date:________

Implemented suggestion? Yes or No (determined by group consensus)

Reason:

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Will this require another persons' or depts' assistance? Yes or No

If so, who?:

Approximate cost to implement: ___________________________ Can start by (date): __________

(may require resource input)

Savings after implementation: ___________________________ Can finish by (date): __________

(may require resource input)

Project Leader:

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TO BE COMPLETED BY COORDINATOR

Date received:_________ Suggestion #:_________

Forward suggestion to resource? Yes or No

<table>
<thead>
<tr>
<th>Forward suggestion to resource?</th>
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<tr>
<td>Yes or No</td>
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TO BE COMPLETED BY RESOURCE

<table>
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<tr>
<th>Resource Name:</th>
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Recommended action:

1) accept & implement
2) decline & feedback
3) conduct further research
4) refer to coordinator

Reason

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<th>Reason</th>
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TO BE COMPLETED BY COORDINATOR

Scheduled Steering Committee review date:

Recommended action:

1) accept & implement
2) decline & feedback
3) conduct further research
4) refer to coordinator

Closing date:______ Implementation date: (If applicable)______
ICE FLOW CHART

SUGGESTION

SUGGESTION FORM

DEPARTMENT MEETING
- Implements
- Send on for Approval

CONSENSUS TO PROCEED

CONSSENSUS TO PROCEED

I.C.E. COORDINATOR

I.C.E. TEAM

IMPLEMENT
INTRODUCTION

MISSION
The purpose of this chapter is to describe a method of measuring and reporting the progress of Spring Engineering & Manufacturing Company toward targets that are selected to meet & exceed the expectations of our stakeholders (Customers, Investors and Employees).

A SUCCESSFUL PLAN MUST:
The criteria used in developing the ICE Equity system are as follows:

1. Fairness—This plan must provide a “fair” and “balanced” return to all stakeholders.

2. Clarity—This plan must be “user friendly” and must assist the employees in the understanding of their vital role in the growth of the Equity Triangle.

5. Effectiveness—This plan must be results oriented and, more importantly, it should measure and reward the Employee Team, based for the most part, on elements that they can directly impact (i.e., control)

THE PROBLEM STATEMENT (1994):
In general, the original “Scanlon” plan falls short of the expectations that the stakeholders in Spring Engineering & Manufacturing Corporation have of such a plan. It has shortcomings in the following areas:

1. We do not believe that all stakeholders benefit equitably or fairly as a result of having the current “Scanlon” plan.

2. The current plan does not effectively motivate a change in behavior in the form of motivation and or incentive to improve. Many of the costs included are not controllable by plant personnel. Other more controllable costs of serious magnitude, such as material usage, are not included and are not measured by the plan.

3. We believe that the bonus formula in the current plan is not in step with management strategies and company priorities.
For example, the formula is too heavily weighted by labor productivity and does not adequately balance other performance factors such as scrap and on time delivery.

It is important to highlight specifically what is meant by the terms “Equity” and “Accountability” as they pertain to the I.C.E. Plan.

**EQUITY: “A FAIR AND BALANCED RETURN TO INVESTORS, CUSTOMERS AND EMPLOYEES.”**

1. **The Customers** of Spring Engineering expect the lowest prices, perfect quality in their parts, more and better service, as well as help with engineering and prototypes.

2. **The Employees** of Spring Engineering have spoken! The declaration has been made that they want job security, a good work environment, increasing wages, more “say so” in their jobs, improving technology, participation and team work, pride in their company, recognition and respect, good benefits and enjoyment in their work.

5. **The Investors’ mandates in the company are as follows:** good return on investment, a fair profit, self-sufficient management (ability to manage itself through team participation) and longevity (a long term future).

**ACCOUNTABILITY: “THE THREE C’S OF ACCOUNTABILITY”**

1. **Commitments:** There are three parts to the I.C.E. Triangle...the Customer, the Employee and the Investor. There needs to be commitment from each, to each. Given that this plan belongs to both the investor and the employees of Spring Engineering, what commitments will the investor make to the customer...the employee? Also, what commitments will you as an employee make to the investor...the customer? Please ponder how this impacts you! Each member of the Triangle must keep their commitment.

2. **Counting:** We expect to COUNT or measure how well we are performing to our commitments by regularly “keeping score” and posting “What day it is” on the Spring Engineering Commitment Dashboard. The following five major areas of performance will be measured by our plan:
   1. Quality (PPM External Rejects)
   2. Scrap (PPM Internal Rejects)
3. On Time Delivery (# of days late as promised to the customer)

4. Productivity (average over last 3 years)

5. Operating profits (average over last 3 years)

Committed Goals for each area should be obtainable but never less than what we have accomplished in the past. The rewards should be given only for improvement beyond baseline.

5. Consequences: There will be consequences for performing or not performing. Equally important in being accountable is the notion of accepting the consequences. These consequences may be both pleasant or unpleasant, rewarding or frustrating, significant or insignificant. The Equity bonus result, or lack of one, will be one clear consequence of our collective performance.

This plan, and specifically the Equity Formula, makes a very specific effort to establish fair and balanced consequences for exceeding, meeting, or falling short of the commitments made to the customer and the investor.

THE EQUITY FORMULA: WHAT WILL WE MEASURE AND HOW WILL WE MEASURE IT?

The five elements of company performance that will be measured are:
- Quality
- Scrap
- On-time Deliveries
- Operating Profit
- Productivity

For each of the five elements of our Equity formula, there are definitions of the element, methods for measuring results, a baseline or basis, a goal and a maximum opportunity.

To understand how each objective provides an opportunity for a positive and negative consequence, please review the illustration on page 24.
THE ICE DASHBOARD Displays our performance and resulting bonus dollars.
ICE DASHBOARD

Notice that on the dashboard illustration there are 10 steps of performance between “Baseline” and the goal, and an additional 10 steps of performance between the goal and the “Maximum Opportunity”. Including the goal, this makes 21 possible levels of performance for each objective which can result in a positive payout from that objective to the employees. The size of the payout for that objective is determined by the level of improvement from the base.

Also note that there is an area of negative performance (below “baseline”). As discussed in the definition of fair and balanced consequences, there is opportunity for both positive reward (the 21 steps to the right of baseline) or negative reward “take away dollars” (the 5 steps to the left of baseline).

EQUITY FORMULA INDICATORS

1. QUALITY INDICATOR—12 ½ % OF BONUS POOL

Defined as the Parts Per Million (PPM) of external rejects. (Parts that were shipped to and rejected by our customers).

Calculated—Total number of parts rejected by customers for the period (# REJ), divided by the total number shipped to our customers for the same period (# SHP) times 1,000,000. That is...

\[
\frac{\# \text{REJ}}{\# \text{SHP}} \times 1,000,000
\]

Baseline—The baseline of this measurement will be based on the average external PPM for the 12 month period December 1 through November 30 of the previous year. This number provides the minimum level of performance or baseline. If we perform at this level there would be zero payout on this objective. For this year’s base, see Appendix A.

Goal—The goal will be set for the operating year 1995 based on the commitments made by the plant, with the approval by management. For this year’s goal, see Appendix A.

Maximum—The amount of progress necessary to move from the baseline to the goal will be added to the goal to establish a maximum opportunity. For this years’ maximum opportunity performance level, see Appendix A.

2. SCRAP INDICATOR—12½ % OF BONUS POOL

Defined as the Parts Per Million (PPM) of internal rejects. (Parts that were made but were not sellable and were caught prior to shipment to the customer)

Calculated—Total number of internal parts rejected (#REJ) by the operator or quality department for the period, divided by the
total number of parts produced (#PRD) for the same period, times 1,000,000. That is...

\[
\frac{\# \text{ REJ}}{\# \text{ PRD}} \times 1,000,000
\]

**Baseline**—See Quality for method. See Appendix A.

**Goal**—See quality for method. See Appendix A.

**Maximum**—See Quality for method. See Appendix A.

5. **ON-TIME DELIVERIES—12½% OF BONUS POOL**

Defined as the average of the number of orders that are not late (not due to be shipped as of the report date) divided by the total number of open orders, where orders are an individual date and quantity of an item scheduled for shipment.

**Clarification**—Dates to be evaluated are the “promise” date given to the customer.

**Calculation**—Each day, the order database is reviewed and a delivery performance indicator is calculated based on promise date and ship done. At the end of the period, an average will be calculated of these daily “On Time” percentages.

**Baseline**—The baseline of this measurement is the average of the 12 month period from December 1 through November 30 of the of the year just concluded. See Appendix A.

**Goal**—The goal for On-Time delivery will be selected based on the commitments of the plant with the approval by management. See Appendix A.

**Maximum**—The amount of progress necessary to move from the baseline to the goal will be added to the goal to establish a maximum opportunity. See Appendix A.

4. **OPERATING PROFIT—12½% OF BONUS POOL**

Defined as sales revenues less all manufacturing and administrative expenses relating to the manufacture and sale of our products. Non-operating expenses are not included, such as interest expense, Michigan Single Business Taxes, etc...

**Calculation**—During the first 5 days of the month, the financial statements are produced. The calculation is as follows:

- Product Sales
- Returns & Allowances
+ Tooling Sales
Net Sales
Minus -Materials  
- Labor  
- Burden  
(Cost of Goods Sold (COGS))

Equals Gross Margin

Minus -Selling & Administrative Expenses

Equals Operating Profit

Baseline—The baseline for operating profit will be the average operating profit during the previous three years.

Goal—The goal is the budgeted (or projected) operating profit dollars for the current year based on our budget (what we should spend).

Maximum—The distance between the baseline and the budget will be added to the budget to establish a maximum opportunity.

5. PRODUCTIVITY—50% OF BONUS POOL

The productivity objective is very similar to the original Spring Engineering & Manufacturing Corporation Scanlon formula. The productivity objective measures the cost savings of specifically identified costs that are deemed to be controllable by employees.

Calculation—The calculation for Productivity is as follows:

1. Determine the Sales Value of Production. To do this, the change in inventory (stated at sales value and not at costs value), either plus or minus, is summed with the current period sales. This yields the Sales Value of Production. (SVOP)

2. From SVOP, an “allowance” (or what we actually produced during the period) for the cost elements described below is established from the base. In the I.C.E. plan, controllable cost items have been reduced in number to simplify the calculation and eliminate expense items that may not be controllable by the majority of the personnel covered by the plan. Items remaining are as follows:

   Direct Labor
   Indirect Labor
   Supervisory Wages
   Overtime Premium
   Health Care Benefits
   Profit Sharing
   Office Compensation
   Engineering Compensation

= Controllable Costs
3. Actual expenses from the Controllable Cost List will be gathered from the accounting department on a monthly basis. The total of Actual Expenses will be subtracted from the Allowable Expenses, and the difference will be the measure of the progress made. Please realize, that this could be either positive or negative. This difference will then be stated as a percent of the Allowable Expenses, and will be posted on the I.C.E. Scoreboard monthly. I.e., if Allowable Costs were $100,000 and Actual Costs were $95,000, the difference would be $7,000. Stated as a percent of Allowable Costs, ($7,000/$100,000) the savings would be 7% of allowable costs.

4. An example of this Measure follows below.

Table 1: (Illustration Only)

<table>
<thead>
<tr>
<th>% of Improvement in Productivity</th>
<th>Payout/OTR</th>
</tr>
</thead>
<tbody>
<tr>
<td>+10.5%</td>
<td>$20,000.00</td>
</tr>
<tr>
<td>+10.0%</td>
<td>$19,000.00</td>
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<tr>
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<td>-$4,000.00</td>
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<td>-2.5%</td>
<td>-$5,000.00</td>
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NOTE: This is only a simple example with nice round numbers. The actual scale will be developed each year based on the budget of the upcoming year. See Appendix A for the 1995 Operating Profit Scale.
ICE BONUS POOL
Each indicator is allocated a percentage of the Bonus Pool.

SPECIFIC PROVISIONS

1. It is vital to all stakeholders that a company maintain a minimum level of profit before any payouts to provide an acceptable return for the investor, as well as support the future growth needs (i.e. new machines, etc.) of the business. Therefore, a minimum operating profit (before I.C.E. payouts) percentage will be set based on both the budget for the upcoming year and one three year history. This threshold of operating profit must be attained before any payouts to the I.C.E. Plan.

2. WHAT DAY IS IT? Our quality, scrap and ontime goals will be measured and reported weekly. Financial goals (productivity and profit) will be reported monthly.

3. I.C.E. payouts will be calculated and distributed to the employees within 15 days of the posting of the quarterly results. This allows time for eligibility to be figured, as well as time to cut the checks.
4. The “RESERVE FUND”. A reserve fund will be established to protect the company and investors in periods when performance falls short of targets.

A. In quarters where the payout status of the five objectives is positive, 25% of that amount will be set aside in the reserve account. 75% WILL BE PAID OUT.

B. In quarters where the payout amount is negative, 100% of the negative balance goes into the reserve account (any negative payout will be subtracted from the reserve balance).

C. At the end of the year, any positive balance remaining in the reserve will be distributed based on total points for the year. If it is negative, it will be zeroed out.

B. To understand how this works, review the following example.

<table>
<thead>
<tr>
<th>QUARTER</th>
<th>POOL</th>
<th>PAYOUT</th>
<th>25%</th>
<th>RESERVE</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>40,000</td>
<td>30,000</td>
<td>10,000</td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td>2nd</td>
<td>36,000</td>
<td>27,000</td>
<td>9,000</td>
<td>19,000</td>
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<tr>
<td>3rd</td>
<td>-12,000</td>
<td>0</td>
<td>-12,000</td>
<td>7,000</td>
<td></td>
</tr>
<tr>
<td>4th</td>
<td>20,000</td>
<td>15,000</td>
<td>5,000</td>
<td>12,000</td>
<td></td>
</tr>
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5. Distribution to employees:

A. Eligibility

1. An employee of Spring Engineering & Manufacturing Corporation on the date of payout and meeting the criteria set below is considered eligible. People having left the company for any reason prior to the payout date have forfeited their opportunity to receive an I.C.E. payout. (This includes any payout from the reserve fund). The individual must be currently employed by Spring Engineering & Manufacturing Corporation on the date of payout.

2. An employee having been employed for 90 consecutive days prior to the first working day of a new quarter is eligible to participate in any distributions at 100% of their wages.

3. Employees having been employed for less than 90 consecutive days prior to the first working day of a new quarter, and who complete their 90 days within that quarter are eligible to participate with all wages subsequent to that qualifying event. (All wages beyond the 90 days.)
4. An employee who has not been employed for at least 90 consecutive days prior to the end of the quarter is not eligible to participate in the distribution.

5. If an employee through their individual behavior is placed on any type of disciplinary probation status during a quarter, they will not be eligible for a payout that quarter.

B. Distribution

The total bonus pool will be distributed to each qualifying employee according to his/her gross wages for the quarter including overtime. Every employee will receive the same percentage of qualifying wages.

Progress will be displayed to the plant on the Spring “Engineering Commitment Dashboard,” updated weekly (where possible). This will be a simple to read chart showing where we are in relation to our goal with each of our 5 elements.

SETTING OUR ANNUAL I.C.E. PLAN GOALS:

1) Management through its Long Term Planning Team and the Steering Committee will develop our goals, objectives and strategies for the coming year (doing the right job). They will take into consideration such things as sales forecast, new products, machinery and equipment needs, productivity goals and our budget.

2) The Plan will then be reviewed with the I.C.E. Team for comment. The management team and I.C.E. Team will jointly develop our I.C.E. Plan measurables, target goals and the dollar value of each unit of performance improvement.

5) All goals and payoff must meet the following criteria to gain approval by the I.C.E. Team and management:

   a) does it meet the mandates of the customers, the employees and the investor?

   b) do the goals support the business plan?

   c) are the goals achievable?
4) The accounting department will determine the value of each level of performance for each objective by asking:

a) what are the needs for capital? taxes?

b) how much does the investor get, and how much does the employee get?

c) Is the employee/investor split enough to motivate desired behavior (is there enough money to get the employees to contribute just a little bit more)? Once all this is done, I.C.E. Team shares the final plan, program and numbers with the plant.

In general, the plan is not expected to change during any fiscal year. However, the possibility does exist that under extreme changes in the operating environment, the plan may need to be modified during a fiscal year. This would only become the case if one of the stakeholders becomes unduly threatened by the I.C.E. Plan in its current form as a result of these unforeseen changes in the environment.

For example, loss of a major customer such as Ford would probably require a major audit and revision of the Equity formula.

Minor changes to the plan can be made, upon approval of the I.C.E. Team, as a result of employees’ suggestions for improvement.
SCANLON

PARTICIPATION
Take Responsibility For Your Decisions
Lead By Example
Share Ideas

IDENTITY
Education
Knowing Where You and the Company Stand
Willing to Learn & Change

EQUITY
Accountability
Understand How Company Operates and Performs
Understand How Profits and Losses Are Made

COMPETENCE
Commitment
Improving Yourself Setting Goals
Help Others to Achieve Competence

VALUES
ICE PLAN BALLOT

In May of 1994, the employees voted to elect representatives to serve on an Ad Hoc Committee to revise the existing Scanlon Plan.

The committee has developed the ICE Plan. The ICE Plan needs your approval before it can be implemented. That is the purpose of this ballot.

Each of you received an ICE Plan book, and have had a chance to read it and ask questions. Hopefully, you understand the ICE Plan well enough to decide whether or not you can accept it and commit to making it successful.

Please remember the following:

1. This vote is to adopt the plan for a 24 month trial period beginning 1/1/95 to 1/1/97. The Plan will then be open for revision to determine the future of it.

2. A minimum of 85% “YES” votes must be cast to implement the ICE Plan.

3. This is a secret ballot. Do not sign it. The results will be announced as soon as possible.

YES, [ ] I ACCEPT THE ICE PLAN AND COMMIT TO MAKE IT SUCCESSFUL.

NO, [ ] I CANNOT ACCEPT THE PLAN.

SAMPLE ONLY