

Cost Savings Task Force
Report to Sr. Vice President Robert Erickson

Executive Summary

The University of Minnesota Task Force on Cost Savings formulated a mission statement of recommending ideas or methods for improving quality of service through sound cost saving measures. It sought to identify areas for potential cost saving. Based on research of public and private sector businesses, and discussion with University constituents, the task force recommends the following.

- o That a compilation of University resources and services be prepared so that University employees, especially those responsible for purchasing, are aware of the internal services and products available. This guidebook would resemble the Purchasing Services' University Wide Contract Book and would be targeted to the same group that receives that purchasing information.
- o That the University develop and implement a program that elicits suggestions for cost savings from the entire University community. This program could be carried out internally or contracted to consultants. Essential components of the program are an effective communication network and strong motivators. The task force supports a system based on monetary rewards.
- o That the University review fiscal policies to determine if long term material savings could be realized by altering those policies. Examples include per diem reimbursement, department year-end buying sprees caused by having to give money back to the college, and no reimbursement for meals unless overnight travel is involved.

The report concludes with ideas and suggestions received by the task force. The positive response to the call for input indicates a commitment to preserving the University's resources and improving its financial condition. The task force recognizes that its work was only the beginning of what must be an ongoing process, if true cost savings are to be realized. Ideas from all levels--faculty, students, staff, community--need to be cultivated, reviewed and disseminated throughout the diverse programs and departments of the University. Above all, effective communication is the key to assuring that good ideas are shared and that each constituent is able to offer suggestions on improving our use of resources.

Report to Sr. Vice President Robert Erickson
Cost Savings Task Force

BACKGROUND

March 1991 meeting of the Civil Service Committee was attended by President Hasselmo and Sr. Vice President Erickson to discuss proposed budget cuts for the University of Minnesota. During the discussion an employee raised the issue of the waste that takes place in small increments across the entire University. Identifying and eliminating such waste would result in substantial cost savings. Vice President Erickson asked, then Chair, Mary Trandem to form a task force which could advise him on cost savings ideas.

After placing a notice in the Brief, an 11 member volunteer task force was formed.

Patricia Anderson, Carlson MBA Program
Ann Bugbee
Ginger DeRosier, Office of Physical Planning
Cathy Heltemes, Law Library
David Holets, Physics
Tom LaMere, Purchasing Services
Galen O'Connor, Business Services
Carol Ostrow, Telecommunications
Jan Philibert, Classical and Near Eastern Studies
Grant Tragethon, Campus Mail
Mary Trandem, Office of the Bursar

The task force was made up of civil service employees from both academic and support units located across the Twin Cities campus.

The first meeting took place on May 8, 1991. To avoid duplication of efforts, Mary Vogel from the University Building Energy Efficiency Project (UBEEP) attended to discuss the work they are doing. Vice President Erickson spoke briefly on his thoughts for the task force. There was no direct charge or timetable given to the task force, allowing it to determine its own purpose, mission and goals and how to accomplish them.

Statement of Purpose

The Cost Savings Task Force evolved from the University financial managers' concern with trimming expenses and achieving more efficient use of resources. Recognizing that each member of the University has an interest in its financial strength, and that the task force's insights are limited to its members' observations and knowledge, the task force will design an effective means of gathering and disseminating information on cost savings drawing from the experience and knowledge of University faculty, staff and students. Realizing the powerful role of incentives, it will recommend a reward system that will serve to motivate participation in this exchange of ideas. Employees need to be empowered with the ability to perform and effect quality service and through this recognize cost savings. The Task Force will report Senior Vice President for Finance and Operations.

Mission

To recommend ideas and/or methods for improving the quality of service through sound cost saving measures.

Goals

1. To educate the University community on current resources and services available for cost savings.
2. To develop and implement a program for seeking cost saving suggestions from the entire University community.
3. To recommend institutional policies which relate to cost saving practices.
4. To facilitate communication within the University to solve problems.

After identifying their goals the task force divided into three groups to further develop the first three goals. It was decided goal four would be an integral part of each of the other three goals.

Another important issue arose during the first meetings. This revolved around the new Financial Management system being implemented by the University. Although, not directly related to the goals of the task force, it was decided the new system and its related costs and benefits had a major impact on the University. There were a number of questions the task force felt remained unanswered regarding FMS. Due to the magnitude of the effect of implementing CUFS, the task force composed a memo to Vice President Erickson voicing their concerns with the project. (See attachment one)

RECOMMENDATIONS OF THE TASK FORCE

Goal 1: To educate the University community on current resources and services available for cost savings.

There are numerous resources and services available at the University at either reduced costs or free of charge. A few examples would be Campus Mail which offers everything from delivery of intercampus mail to a courier service, and Printing and Graphic Arts which can help people design brochures. However, many departments are unaware of these services and do not know where to begin their search. It is the recommendation of the task force to compile a listing of these services along with the department that offers the service and their phone number.

We felt the logical place to publish the material would be the student/staff directory. Every employee of the University either has one or has access to one. A section would be assembled similar to the "blue pages" of the Minneapolis phone book. Attachment two is a letter to Ginny Hansen and Sharon Grimes who are responsible for the directory and attachment three is a letter to Mary Trandem summarizing a meeting held between members of the task force and Sharon Grimes.

From this meeting it appeared that publishing the information in the directory would be unacceptable to the publisher unless the space was sold as advertising. The task force felt the cost of the advertising would be prohibitive to many departments offering the services and therefore defeat the purpose of our goal.

Another alternative for disseminating the information was discussed. A publication similar to the list of purchasing contracts that is distributed to all departments every year through purchasing could be assembled for "University vendors" and included with the mailing of the outside contracts.

The task force strongly recommends that a list should be assembled and maintained on a yearly basis to be available for use by the University community in its efforts to cut costs at the departmental level. A definite need to assemble such a list became apparent when the task force asked for departments to identify such services. No one on the task force was familiar with the services which were identified by a few departments.

Goal 2: To develop and implement a program for seeking cost savings suggestions from the entire University community.

The task force reviewed programs already in place in both private industry and other colleges and Universities. (see attachment four) All the programs include the following elements:

What is the purpose of the program?

To receive the most input from the greatest number of people regarding cost saving at the University of Minnesota. There should be mechanisms for suggesting specific improvements and questioning current practice.

Who can participate?

All constituents of the University. This would include faculty, staff, students, and all others who use the resources of or are affected by the University of Minnesota.

How do you submit your suggestions?

There are a number of mechanisms which could be used to submit suggestions. First a form should be developed. There are some examples included in attachment 4. Other alternatives would be to set up a voice mail box and a PROF ID people could send suggestions to. No matter what mechanism is used people must be assured that their suggestions are kept confidential. This is especially important if people are going to legitimately question current practices. People need to feel safe from any harassment that might occur from the result of what may be viewed as "whistle blowing."

Who reviews and acts on the suggestions?

The task force feels this should be handled at the highest level in the institution. Alternatives would be a department that reports directly to either the President or the Sr. Vice President for Finance and Operations or an individual that is hired and reports directly to one of these offices. Another option discussed by the task force would be to have an outside company review the suggestions. This eliminates any preconceive judgements which may be placed on some suggestions.

How are the suggestions made known to the entire institution?

The task force feels strongly that a separate newsletter should not be set up to disseminate the information. There is already a vast array of publications such as the Daily, the Brief and Update, which can be used to get the word out about good ideas. Some ideas may result in changes to University policy and procedures and these should be publicized through the appropriate channels now used.

Is there compensation provided for suggestions?

The task force feels a successful program must include a cash award. We realize that it is often difficult to attribute a particular idea to one single individual and there may be instances where a group of people will submit a suggestion. The responses we received indicated that programs without a reasonable award fade out after a short time.

Although the task force has provided a basic outline for the program and offers suggestions for the various components, it became apparent that the task of fine tuning and implementing the program was beyond the scope of this task force. The task force recommends a person skilled in performing this task be appointed in order to accomplish implementing a program as outlined by the task force.

Goal 3: To recommend institutional policies which relate to cost saving practices.

To research this goal the task force met with Nick Lafontaine, Assistant Vice President for Finance and Operations, Grainne Medearis, Policy and Compliance Officer, and studied a report written by the Waste Abatement Committee written in October 5, 1990.

Nick Lafontaine addressed a new plan to make departments more responsible for paying rent and overhead on the space they currently utilize. People need to develop a sense of ownership for the money that is spent and could be saved by turning off lights and appliances, not overly heating or cooling their offices and making use of wasted space.

The task force sees a need to gather accurate information as to current office space and the utility needs of various departments prior to implementing this policy. The numerous buildings on campus vary widely in their energy use and efficiency. There is also the need for communication with departments to both participate in developing the program and to have enough lead time to adjust to the change in doing business. Communication is an on-going problem at a University of such large size and varying constituents. Constant attention needs to be given to the area of communication.

Grainne Medearis gave us the report from the Waste Abatement Committee and reported that although it has many useful suggestions it was not widely disseminated. This in itself is a cost saving policy problem. You can write down fabulous ideas but if people don't hear about them, they don't get put into practice.

Another policy issue discussed by the task force related to budgeting. A number of years ago central administration abolished the policy of zeroing out your budget by June 30. Prior to this time, if you did not spend all of your money it reverted back to central instead of carrying over to the next fiscal year. This encouraged departments to spend their money indiscriminately in April, May and June so they wouldn't lose it. Although central is no longer following this practice some colleges are applying the same policy to their departments to move money from department to department. However, the same results occur and the task force recommends this policy should be discontinued.

CONCLUSIONS

In conclusion, the task force would like to emphasize that the recommendations made in this report need to be ongoing. Fiscal crises come and go and some may linger on for quite some time but the practice of sound cost saving should always be at the forefront of any institution. The University should not wait until the last minute and have to struggle to find "pennies" to give employees raises. If institutions are following sound cost saving policies during the good economic times they should be better able to weather the bad economic times.

We would like to reiterate there are no specific recommendations that stem from goal four. However, we feel goal four is perhaps the most important goal the task force dealt with. For this reason goal 4, communication, needs to be incorporated in all the recommendations made by the task force. A major failure of many committees and task forces at the University is that the majority of the University community is not made aware of what was accomplished. It is vital that these recommendations are not filed away and forgotten. All organizations need to examine how they do business and where they can cut costs. The recommendations made by this task force can assist the University in moving towards better cost saving practices.

Attachment One

MEMORANDUM

TO: Bob Erickson
Senior Vice President for
Finance and Operations

FROM: Cost Savings Task Force

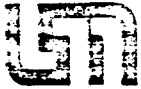
DATE: August 12, 1991

RE: FMS

During the initial planning stages of the Cost Savings Task Force issues surfaced concerning the new FMS project to be implemented at the University on November 1, 1991. Although discussions arose that this is somewhat out of the scope of our mission, we decided the issues were of great enough importance to warrant writing this letter. Some of these concerns have already been addressed by the FMS project team or other advisory bodies at the University. We felt, however, that the information, if available, is not being filtered down to the employees who are going to have to operate and interpret the system. We do not expect answers to these questions to be directed back to our committee. We offer these questions as concerns that are being raised by people at the University. The answers need to be directed in some way to the entire University community.

1. Why is the University developing and implementing a new financial management system? (Many people do not know or understand the history behind this project.)
2. How will the new system make the University more accountable? (Won't decentralization allow for many more errors, unintentional as well as intentional?)
3. How much is it costing the University to purchase, refine and implement the new system? What about on-going maintenance costs? (These figures may be difficult to pinpoint.)
4. How efficient is the encumbrance system? How efficient is the purchasing and accounts payable systems? Why are we scrapping the Walker system which was purchased and installed so recently?
5. What will it cost departments to purchase the equipment necessary to utilize the FMS system on-line? Where can people get assistance in choosing the equipment that is "right" for their office? Can any savings be realized by departments purchasing equipment together? (buying in bulk?)
6. Once you have the equipment in your office, who do you turn to for questions regarding the on-going maintenance of the hardware and software? (ie: If you come to work in the morning, turn your terminal on and nothing happens, what do you do?)
7. There are many concerns regarding training. It is restrictive for many offices to have training only in St. Paul, especially small offices that cannot let people go for large blocks of time in addition to the travel time. Is there any follow-up training? Can you practice in your office? Some people who have attended training already stated that the trainer did not gear their level of training to the level of the trainees' computer literacy.

The FMS project team has methods available to them to disseminate information on FMS. Examples of these are "Keeping In Touch" and the Electronic Bulletin Board. However, not everyone at the University has access to the Bulletin Board or is receiving the newsletter. We feel these concerns need to be addressed and made more readily available to the general public. If a Task force of 12 people representing a fairly diverse group from the University community is unaware of the answers to these questions, it is logical to assume many people at the University are also asking the same questions. The greatest fear is that of the unknown. Right now the only thing "known" to many people is the November 1 date. The rest is a great mystery.



UNIVERSITY OF MINNESOTA
TWIN CITIES

Campus Mail
S-64 Morrill Hall
100 Church Street S.E.
Minneapolis, Minnesota 55455
(612) 625-6560

September 18, 1991

TO: Ginny Hansen, Sharon Grimes
FROM: Grant Tragethon, Campus Mail
Patricia Anderson, MBA
Cathy Heltemes, Law Library

The Cost Savings Task Force of the Civil Service committee was established by Robert Erickson to "promote cost-saving initiatives to the University community".¹

Four goals were identified:

1. To educate the University community on current resources and services available for cost savings.
2. To develop and implement a program for seeking cost saving suggestions from the entire University community.
3. To recommend institutional policies which relate to cost saving practices.
4. To facilitate communication within the University to solve problems.

The three of us are working on goal number one.

We would like to explore the advantages and the obstacles to creating a new section in the University's Student Staff Directory that would act like a yellow (or blue) pages in the city-wide phone directory. We believe that there are many services on campus that other departments could use rather than going outside that would save money for the "big" University pocket.

The problem is that there is no way to find out about most of those services; especially the more obscure ones. An excellent example is a department that will lengthen computer cords. If a cord is a foot too short, you don't have to buy a longer cord and throw out the one you have, they will lengthen the one you have and the fee is reasonable.

¹Robert Erickson memo of May 10, 1991

Task Force Memo to Ginny Hansen & Sharon Grimes

Advantages:

1. Making it easier to use University services will cut costs because there is less paperwork and it is more convenient.
2. Now that purchasing is decentralized, department staff that perform the function need to be smart and weigh advantages and disadvantages in each situation. A quick reference will encourage them to do that.
3. It is expensive to "re-invent the wheel" in every department. A quick reference would help staff find existing solutions to needs or problems that come up.
4. Having an easy reference to those services in the directory will reach the largest number of people; especially employees new to the University. New employees always get a directory even if they get nothing else.
5. Having this "yellow page" section will be an addition to the directory size but will reduce the size of the white pages by eliminating the need to have cross references by subject.
6. Using University services will help those services operate more effectively by increasing their customer base.
7. Having an easy reference to those services in the directory will decrease the need for them to do their own publicity (marketing) through bulk mailings.

Disadvantages:

1. Buying "inside" will reduce the University's trade with outside vendors.
2. An added section in the directory will increase the cost of printing the directory. Each appropriate department would have one initial listing. Additional listings or larger listing could be sold. Additional expense printing the directory would be offset by savings to departments.
3. The logistics of delivering a much thicker directory could be a problem.
4. A much thicker directory would be awkward for individuals to use.

Thank you for your careful consideration of this proposal.

Attachment three

UNIVERSITY OF MINNESOTA
TWIN CITIES

Campus Mail
S-64 Morrill Hall
100 Church Street S.E.
Minneapolis, Minnesota 55455
(612) 625-6560

November 5, 1991

TO: Mary Trandem, Civil Service Committee Task Force on
Cost Savings

FROM: Sub-Committee on the University Student Staff Directory

Patricia Anderson, Cathy Heltemes, and Grant Tragethon met with Sharon Grimes of University Relations on September 19, 1991. We had sent a memo ahead listing advantages and disadvantages to creating a separate section in the Student Staff directory that would act like a yellow pages listing services available on campus by category rather than department name (copy attached).

The meeting turned out to be more of a fact finding mission.

1. The Student Staff directory does not cost the University anything to print at the present time. The publisher of the directory sells direct advertising to pay for it. The publisher, therefore, has much to say about what goes into the directory.
2. If a separate section in the directory would be perceived by the business community as competition and would therefore reduce the ability of the publisher to sell advertising, the publisher would probably be against it.
3. Many University departments already buy advertising in the existing yellow advertising section of the directory (something Grant did not know). The yellow section, then, is already serving the purposes we outlined but is under-utilized.
4. University Relations, the department who coordinates the printing of the directory, is looking for ways of reducing the need for a hard copy directory and would therefore rather stress electronic solutions. The electronic bulletin board is under goal #4.
5. Sharon would be happy to forward a list of departments to the publisher that would be interested in advertising services if we wanted to pull together such a list. This must be done by January of 1992 for the next directory.

Attachment

UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

*Harvard Street at East River Parkway
Minneapolis, MN 55455*

February 5, 1992

Dear UMHC Colleague:

As UMHC continues to face economic challenges, we invite you to join us in finding creative ways to contain our costs as well as increase our revenues. This week marks the beginning of IDEA (Ideas Developed as Efficient Alternatives). This new program, which evolved from the Employee VALUE Program, has been designed by UMHC employees specifically to encourage your suggestions on how we can run our hospital more efficiently and effectively.

The IDEA Program Steering Committee is seeking your input on ways we can improve service, productivity, safety, and our environment, and on ways we can reduce labor, equipment, and supply costs. The attached suggestion form will fill you in on how to participate, how your idea will be evaluated, and what types of awards and recognition are available. If you have questions about the program, please feel free to contact the employees who serve on the IDEA committee:

David Nelson, Chair, (Cardiopulmonary Services)	6-3335
Gayle Bonneville (Hospital Publications)	6-1107
Giles Caver (Hospital Administration)	6-3036
Lin Eckstrom (Materials Services)	6-4915
Charlynda Gunning (Hospital Human Resources)	6-5420
Sally Huntington (Quality Assurance Services)	6-5767
Lisa Kronk (Patient Relations)	6-5050
Sandy L'Heurault (Accounts Payable)	6-4361
Paula McCarthy (Cardiopulmonary Services)	6-4030
Diane Olson (Ambulatory Care)	6-3258
Bob Paleen (Radiology)	6-3008
Susan Rainey (Nursing Services, Education)	6-0683
Chris Senn (Hospital Laboratories)	6-4920
Heidi Uppgaard (Nursing Services, PCU 5C)	6-3053
Meredith Wiste (Finance/Budget)	6-3799

We encourage you to participate in the IDEA program and to have a voice in the future of UMHC. Your ideas and your ongoing contributions are appreciated.

Best Regards,



Robert Dickler
General Director



**Ideas
Developed as
Efficient
Alternatives**

IDEA PROGRAM SUGGESTION FORM

Suggestor's name _____
Job title _____
Department _____
Telephone _____

Office use only

Date and time received _____
Received by _____
Date acknowledgement sent _____
IDEA control number _____

My idea will (check as many as apply):

- improve service to patients or other customers
- improve productivity
- improve safety
- improve space utilization
- improve our environment
- reduce labor cost
- reduce equipment cost
- reduce material or supply cost
- other _____

My idea affects the following areas or departments:

My idea is: (what I think should be done, why, where, when, and by whom - I've attached maps or sketches that help explain my suggestion)

This is what we are doing now : (what is being done, what, where, why, and by whom)

My idea could save \$ _____ each year or increase revenue \$ _____ each year for the following reason(s):

• I don't know how to estimate the \$ amount. Please contact me at _____

Suggestor's signature _____ Date _____

Check if you do not want your name included when this suggestion is reviewed

**Send completed suggestions to: IDEA - Box 7
University of Minnesota Hospital and Clinic**

IDEA PROGRAM GUIDELINES

Who may participate?

- hospital employees
- patients
- visitors
- health sciences employees who work in or with UMHC
- medical staff
- volunteers
- students

What kind of suggestions are eligible and what are the awards?

- all suggestions will be reviewed and the person making the suggestion will receive an initial letter of recognition and a followup letter indicating the outcome
- implementable suggestions will result in a choice of individual awards according to the schedule listed below

annual savings \$2000 and under

annual savings over \$2000

\$ 50 savings bond or

\$100 savings bond or

\$ 25 cash or

\$ 50 cash or

\$ 25 gift certificate or

\$ 50 gift certificate or

\$ 25 contribution to hospital fund

\$ 50 contribution to hospital fund

- all contributors of implementable suggestions are eligible for an annual drawing for several prizes such as a VCR, TV, or CD player. Each implementable suggestion will result in one chance for the annual drawing but no individual may win more than one of the annual prizes.

How do I submit a suggestion?

- the official IDEA suggestion form is on the other side of this page. Please sign and date the form
- send your suggestions to IDEA - Box 7. Additional suggestion forms are available in your department or will be sent to you if you call 6-3360

How will suggestions be reviewed?

- all suggestions will be initially reviewed by the IDEA steering committee
- suggestions that affect one hospital department will be reviewed by the department head and the hospital administrator responsible for the department
- suggestions that affect more than one hospital department will be reviewed by all department heads and hospital administrators responsible for those departments affected
- suggestions that are broader in scope (i.e. environmental, creative, political) will be sent to Greg Hart and the operations group for review
- suggestions that are difficult to categorize will be sent to the operations group and the appropriate review process will be determined

When may I submit a suggestion and how long will it take to hear the results?

- suggestions may be submitted at any time and a response letter will be sent to the person(s) making the suggestion
- suggestions will be initially reviewed by the IDEA steering committee at monthly meetings
- recommendations from department heads, hospital administrators, and the operations group will be made as quickly as possible with a maximum time of 90 days.
- followup will be at least quarterly using hospital and departmental publications

Your Opinion Counts

Q.I.T. Working For You!

Program Purposes:

- To get your ideas and suggestions for improvement in the division and/or company and provide a system to help implementation. This form also serves as a means for submitting questions for "Meet The Press" meetings.

Participation:

- Observe and identify opportunities for improvement along with your suggested solution - then submit Y.O.C. form.

What Happens to the Y.O.C. Form?

- The Q.I.T. assigns a Y.O.C. number, records the idea and then forwards the form to the appropriate party.
- The responsible party will have two (2) weeks to reply. Then the form will be returned to the Q.I.T.
- After the form has been completed, a copy of the recommendation by the 2nd reviewer will be sent to the originator.

Who Acts On Our Suggestions?

- Q.I.T. will coordinate the activities and assign responsibility to the person(s) best suited to take action.
- "Meet The Press" questions will be facilitated by the Q.I.T.

Ann,
QIT stands for our
"Quality Improvement Team".
- A group of volunteers who
want to make a difference.
The group is Real Positive
about improvement.

Facsimile Cover Sheet



Network Products Group

To: Tom Lomere

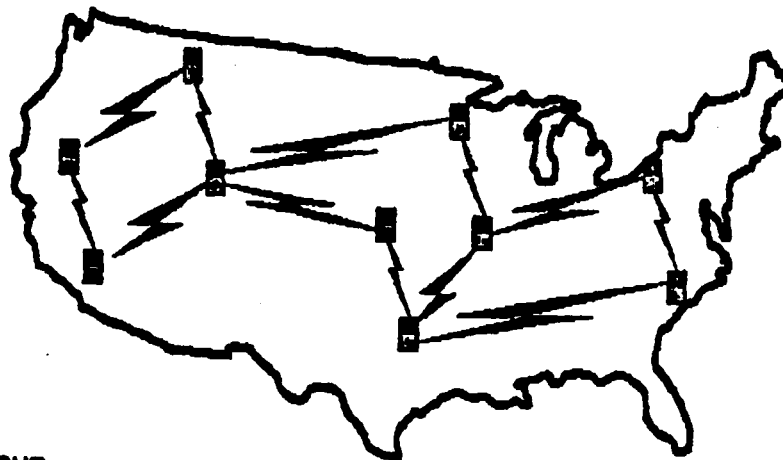
Location: Purchasing Mail stop: _____

Facsimile No: _____

From: Judy Panuska

Location: _____ Mail stop: _____

Message: _____



NCR Corporation
Network Products Group
2700 Snelling Avenue North
St. Paul, Minnesota 55113-1784

Phone: 612-638-7334 FAX: 612-638-8823

Pages To Follow: _____

NCR COMTEN
SUGGESTION THANKS AWARD RECOGNITION PROGRAM
Policy and Procedures

I. Policy

It shall be the policy of NCR Comten Operations to maintain an employee suggestion award program to reduce costs, thereby increasing profits, to further enhance the position of NCR Comten in the marketplace.

It shall be the policy of NCR Comten Operations to make monetary awards to participating employees for accepted and implemented cost reduction suggestions as defined in other sections of this policy.

II. Scope

The scope of this policy and procedure is to define the criteria for employee suggestion with regard to administration, eligibility, submittal, acceptance/rejection, calculation of savings, and awards.

III. Definitions

A. Cost Reduction Savings

The net amount of annual cost savings to be realized by NCR Comten as a result of the cost reduction suggestion. The net amount is the gross annual savings less any implementation costs, including Design Engineering costs.

B. Cost Reduction Award

The amount of money or gift given to an employee or employees by NCR Comten as an award for the acceptance and implementation of a cost reduction suggestion.

IV. Administration of the Program

A. Program Director

A Manufacturing Support Engineering Manager shall be responsible for the direction of the program. The assignment of the Program Director, is made by the Vice President of Operations.

B. Program Coordinator

A coordinator, assigned by the Program Director, shall be responsible for assisting the Program Director, coordinate, administrating the program, and chairing the committee meetings.

The duties shall include evaluating each suggestion, verifying the data presented, recommending acceptance or rejection to the Committee, handling the minutes of the Committee Meeting and other pertinent correspondence, and processing the awards. The Coordinator will assign Suggestion Evaluators to investigate suggestions.

C. Suggestion Evaluator

Investigate, calculate savings and recommend evaluation to Committee in a timely manner.

D. Operations Suggestion Award Committee

1. The Committee shall be responsible for accepting or rejecting all employee cost reduction suggestions and for determining the amount of the award. The Committee shall consist of:
 - a. Program Director
 - b. Program Coordinator
 - c. Representatives from Manufacturing/Test
 - d. Representative from Materials
 - e. Representative from Quality Assurance
2. The Committee shall meet at least monthly to accept and recommend an award, reject, or place on hold (with explanation) all employee cost reduction suggestions within a maximum of two (2) months from the time the suggestion is submitted to the Coordinator.
3. The status of each cost reduction suggestion shall be determined by a majority rule vote. All Committee members, are eligible to vote, with the exception of the Coordinator who will only vote when there is a tie.

E. Unusual Circumstances

1. Unusual circumstances shall be brought to the attention of the Directors and Vice President of Operations by the Program Director.

V. Eligibility

- A. All NCR Comten employees within Operations, below the title of Manager, are eligible to participate in the program.
- B. Employees who have terminated employment (either voluntary or involuntary) with the company are eligible to receive an award if the suggestion is received by the Coordinator prior to termination.
- C. The suggestion must be original with a tangible savings related to product or process to be considered for an award. In the event that more than one suggestion with the same original idea is submitted, only the suggestion received first by the Coordinator will be eligible.

- D. If a suggestion is submitted similar to one previously rejected, but due to changed conditions the idea is accepted and implemented, the following rules shall apply:
1. If submittal is within six (6) months of the rejection date, only the original suggestor shall be eligible for an award.
 2. If submittal is six (6) months or greater from the date of rejection, then the latter suggestor shall be eligible for an award.
- E. The suggestion shall not represent a portion of work for which the suggestor already has responsibility and for which he/she is being compensated, as defined by the suggestor's department manager. (Approval of suggestion by department manager indicates the idea is not a portion of work suggestor is responsible for.)
- F. All new equipment, tooling/fixtures, processes, or methods of operation will be subject to a ninety (90) day moratorium, before suggestions will be eligible.
- G. Suggestions pertaining to pre-production/early production, if accepted, will be eligible for an immediate gift award. After release of the product, if the adopted suggestion is still incorporated in the released design, the suggestor will be eligible for an additional award (as specified in Section VIII-D).
- H. By mutual agreement, CSD employees shall be eligible to participate in Operation's Award Program and vice-versa. The Coordinator of each award program shall be responsible for forwarding suggestions which are appropriate for the other. Forwarded suggestions shall be processed according to the policies and procedures of the recipient's program.

VI. Procedures for Processing Suggestions

A. Submittal

1. Suggestions are submitted by an employee or employees by completing the description and explanation sections on the Employee Suggestion Award Form (see Appendix I) and submitting it for approval to his/her Group Leader/Supervisor.
2. In the event that a suggestion becomes implemented prior to the submitted of the Employee Suggestion Award Form, then to retain eligibility for an award the employee must submit such form no later than 60 days after the implementation of the suggestion (to accommodate those circumstances where a suggestion may first be tried for feasibility).
3. The Group Leader/Supervisor shall approve the suggestion if, in his/her best judgment, the suggestion meets the rules of eligibility, is original, and has sufficient merit to warrant further investigation.

4. If placed on hold, the Coordinator shall inform the employee of the action taken with an explanation for the hold status.

C. Appeals

An employee may appeal one time a Committee-rejected suggestion or the amount of an award by documenting his appeal in writing, and acknowledged by his/her Group Leader/Supervisor, to the Program Coordinator within thirty (30) calendar days of the rejection. The final ruling on an appeal shall result from a vote by the Committee. In the case of an award change, it must also be approved again by the Vice President of Operations.

VII. Calculation of Cost Savings

- A. Labor reduction shall be computed using the frozen standard labor rates plus a percentage to cover employee benefits. These rates and percentage shall be established and obtained from Manufacturing Cost Management.
- B. Cost reductions for materials or services shall be computed using the actual previous purchase price less the actual new purchase price.
- C. If the value of a piece of Capital Equipment or expensed tooling is to be amortized, a five (5) year maximum period shall generally be used, and the average annual savings shall be used to determine the amount of the award. The Committee may vary this amortization period for an individual case as determined by when affected materials will become obsolete, affected schedules will change downward, or tooling will wear out.
- D. The amount of a cost reduction savings shall be calculated based on current schedules and costs at the time that the cost reduction was submitted.

VIII. Cost Reduction Awards

- A. Any employee who submits a cost reduction suggestion that is accepted and implemented shall receive a cash award in accordance with the criteria. The intent shall be to accept and implement only those suggestions where there is a net first year savings of at least \$250.00. Unusual circumstances, however, may result in the implementation of a suggestion with net savings less than this.
 1. If the net first year savings are less than \$120.00, the suggestor shall receive a \$12 gift certificate.
 2. If the net first year savings are \$120.00 or greater, the suggestor shall receive an award of 10% of the net savings, with a maximum total award of \$5,000.00.

- 3. If a change request/ECO is required to implement a suggestion pertaining to an old product (here defined as a 36XX product), there must be a first year net savings of \$3,000 (four times ECO cost of \$750.00) or greater to proceed with implementation, for which the suggestor shall receive an award of 10% of the net savings, with a maximum total award of \$5,000.
- 4. If a MCO is processed to implement a suggestion there must be a minimum first year net savings of \$100.00 based on average MCO cost.
- B. If two or more individuals submit a suggestion together, the total cash award shall be evenly divided among them with not less than \$10.00 awarded to each individual. Also, they shall each receive a gift certificate based upon the total cash award.
- C. Gift Certificates, in addition to the cash awards, shall be given in accordance with the following plan:

Award Schedule

<u>First Year Net Savings</u>	<u>Gift Certificate</u>	<u>Award Range (10% of 1st yr. net savings)</u>
1. Up to \$119	\$12	-0-
2. 120 - 1,999	12	\$12 - 199
3. 2,000 - 9,999	45	200 - 999
4. 10,000 and Up	105	1,000 - 5,000 max.

The continuance or discontinuance of the gift certificate plan shall be subject to annual review by the Committee. The Directors shall be notified prior to any change.

- D. An award pertaining to pre-production/early production shall consist of an immediate gift award not to exceed \$50.00. After release of product, if the adopted suggestion is still incorporated in the released design, the suggestor shall be awarded 10% of the forecasted first year net savings (at the time of release) minus the value of the gift awards, with a maximum total award of \$5,000.00.

*Note: Definition of "Release" will be 90 days after the first production customer delivery.

- E. All awards, as well as program expenses, shall be budgeted by and charged to the Employee Benefits Account of the program's administrative department, Manufacturing Support Engineering.
- F. So that award recipients net the stated cash award, Payroll shall increase all gross cash award payments by a fixed percentage. This percentage shall be based on the minimum statutory federal, state, and FICA tax withholding rates such that when taxes are subtracted the net amount will equal the stated cash award.

IBM



Since it was established in 1928, IBM's Suggestion Plan has been good for both the company and the employees who submitted useful ideas. For example, from 1975 to 1984, employees' suggestions have saved the company over \$300 million — and earned nearly \$60 million in awards for IBMers.

Today, one of our business goals is to be the most efficient in everything we do. Another goal is to achieve the highest quality for our products. To meet those goals, we will need imaginative and cost-saving ideas more than ever before. I encourage you, therefore, to look for better ways to run the business — and to submit your suggestions.

This booklet can help you do that. It describes the improved IBM Suggestion Plan and how you can use it to make the most of your good ideas.

A handwritten signature in black ink, which appears to read "John Akers". The signature is fluid and cursive, written in a dark ink on a white background.

John F. Akers
President and Chief Executive Officer

Contents

Preface: A Better Way... 7

Who is eligible to participate 9

Who is eligible to receive an award 9

Awards from \$50 to \$150,000 10

How awards are calculated 10

How to submit a suggestion 11

Tips on developing ideas 13

What kinds of ideas can earn awards 14

What subjects to avoid 14

What happens to your suggestion 17

What about reevaluation 18

Extensions are possible 18

Some general considerations 19

A thought is often original, though you have uttered it a hundred times.

Oliver Wendell Holmes

The idea that crossed your mind — the impression you had — might just be worth something to IBM. And you.

Was it a way to reduce paperwork? An improved manufacturing procedure? A better way to boost productivity? In other words, was it a specific solution to a specific problem — one that could help the company run its operations better, and perhaps save it money? If so, it may earn you an award — from \$50 to \$150,000 — under the IBM Suggestion Plan.

Of course, your idea has value only if you do something about it. And you can, using the IBM Suggestion Plan. The Plan provides a set of procedures for evaluating ideas and rewarding those who submitted them. Since 1928, when the Plan was introduced, IBM has implemented hundreds of thousands of worthwhile ideas that have helped it grow and become a leader in industry. At the same time, the company has been awarding millions of dollars to employees each year for their workable ideas.

In short, your useable suggestions are good for the company. And they're good for you.

Ideas won't keep. Something must be done about them.

Alfred North Whitehead

This booklet on the IBM Suggestion Plan explains who is eligible to participate and how to submit ideas. Keep it handy. You may want to refer to it the next time you think of a better way to do something.

If, after reading the booklet, you need additional information — or some help in submitting an idea — you should discuss your needs with your manager, or the manager of the Suggestion Department serving your location.

Each suggestion submitted to IBM is with the understanding that it will be within the complete discretion of the company to publish, use, or refuse it. If the suggestion is published or used, the decisions of the company shall be final, binding and conclusive as to the amount of a cash award, if any, and the person or persons entitled to the award, and all other matters concerning the suggestion and its publication and use.

Who is eligible to participate

All IBM employees are eligible to participate in the IBM Suggestion Plan including:

- regular and supplemental employees
- employees covered under the IBM Medical Disability Income Plan
- employees on approved leaves of absence
- retirees (under the IBM Retirement Plan)

Non-IBM employees cannot participate in the IBM Suggestion Plan.

IBM does not solicit ideas from nonemployees; unsolicited ideas and suggestions from nonemployees are to be referred to the Manager of External Submissions at Corporate Headquarters.

All decisions of IBM concerning employee eligibility shall be final, binding and conclusive and in its sole discretion.

Who is eligible to receive an award

Eligibility for an award is determined by IBM management based on the suggester's job responsibilities at the time the suggestion is submitted. Exempt and nonexempt job responsibilities are based on the suggester's job description and performance plan. You cannot receive an award for suggestions that are part of your own assigned duties and job responsibilities. This rule applies regardless of physical location at the time of submission. Ineligible suggesters do not become eligible for an award if their suggestion is used in another location or specific situation.

You are encouraged to contact your manager to have your eligibility determined at the time you submit your suggestion. This will eliminate the uncertainty of your eligibility status that is associated with the time required to complete the evaluation process.

Award eligibility for employees on approved leaves of absence, retirees (under the IBM Retirement Plan) and employees receiving benefits under the IBM Medical Disability Income Plan is based on their last active employment assignment. After they are away from their assignment for a period of six

months, they have full eligibility. The six-month rule also applies to active employees when transferring to permanent or temporary assignments. After six months in a new assignment, an employee has full eligibility for previous assignments.

Program managers are eligible to receive awards. All other managers and personnel assigned to the Suggestion Department are not eligible to receive awards.

Awards from \$50 to \$150,000

If all eligible conditions are met and your suggestion is adopted for implementation, it can earn you a cash award from \$50 to \$150,000. The actual amount is determined from a calculation of tangible savings or intangible value resulting from your suggestion during a set period of time after implementation.

You can earn two basic kinds of awards:

1. A tangible savings award is granted when cash savings or cost avoidance can be determined or approximated from implementation of a suggestion.
2. An intangible award may be granted when the suggestion does not result in direct measurable savings to IBM, but improves safety, health or security, product quality or reliability (product quality or reliability refers to parts or processes that result in an improved product marketed by IBM), or external customer service.

How awards are calculated

Calculation of awards follows certain general rules and qualifications. Normally, awards are paid at the time of implementation. However, an award may be paid, provided implementation is expected to occur within 90 days of the award.

A tangible savings award payment is based on 25% of the first year's estimated net material and labor savings. If the award is \$200 or more, it is reviewed automatically one year from the date of implementation to determine estimated second year net savings and any additional net savings from the first year's use.

If applicable, the final award payment is based on 25% of the first year's actual net savings plus 25% of projected net savings for the second year less any previous award payment(s). The Plan does not provide for award payments based on second year actual savings.

Intangible suggestion awards are determined by factors such as seriousness, frequency and extent of the problem, creativity and effectiveness of the solution.

Awards for joint suggestions are determined by dividing the total award amount by the number of eligible participants. Only the eligible suggesters will receive their share of the total award. An idea developed or provided to the suggester(s) by any other person(s) considered ineligible should not be submitted and is not awardable.

Because of the large variety of suggestions received, these rules cannot cover every conceivable situation. The decision of the company shall be in its sole discretion and final, binding, and conclusive in all matters pertaining to awards calculations, including but not limited to the amount and calculations of the award and the time of payment.

How to submit a suggestion

An idea must be submitted on a signed IBM Suggestion Form to be eligible for evaluation. When you have an idea that you originated, you should submit it right away to the Suggestion Department serving your location. The forms are conveniently located at your site's bulletin boards. Your idea can only have value when you make it known and you are the first to submit the idea. If someone else had the same idea and sent it in before you, that suggester will have priority and your suggestion will not be eligible for an award. The priority date of a suggestion is established when it is date stamped upon receipt by the Suggestion Department.

The thoughts that come often unsought and, as it were, drop into the mind are the most valuable of any we have, and therefore should be secured, because they seldom return again.

If prior to submitting your suggestion, you have disclosed your idea to someone who could implement it, provide the date, name and location, on a Suggestion Form, of the responsible person contacted. Additionally, you must submit a signed Suggestion Form within 30 days of the disclosure to establish the disclosure date as your priority date. Otherwise, your priority date will be the date stamped upon receipt by the Suggestion Department, and your suggestion may not be eligible for an award.

When writing your suggestion, be specific, clear and concise. A suggestion should apply to a specific situation and location. Be sure to define the problem, state the solution in detail, and indicate the expected benefit to IBM. Submissions lacking in any of these three areas will not be accepted for evaluation and will be returned to the suggester for further information, possibly affecting the priority date of the suggestion.

Plan your approach. Make some notes, even a draft, before you fill out the form. Include form numbers, part numbers, areas affected, sketches, drawings or samples of proposed improvements whenever possible. Include all required information so the form will not be returned to you for completion, and remember, you can only submit one problem and its solution per form.

Emphasize why the suggestion should be adopted. This may not always be obvious to the evaluator. You increase the possibility of having your idea adopted when the evaluator has a real understanding of what you are trying to accomplish.

Your manager can be helpful in assisting you to develop your suggestion. You are encouraged to seek management review of your suggestion prior to submission.

Make sure you read and understand the "Agreement Section" before signing the Suggestion Form. If more than one employee is submitting the suggestion, all must sign the form.

If the suggestion involves safety, health or security, inform your manager of the solution at once. If your suggestion restores, replaces or

repairs something to its original condition, it will not be eligible for submission. If it qualifies for safety, health or security evaluation, your manager must sign your Suggestion Form prior to submission. You should also refer to the disclosure guidelines in this section.

Tips on developing ideas

When writing a suggestion, it helps to ask yourself some basic questions such as those listed below. Of course, you need not confine your thinking to the list. The company wants your suggestions, no matter how simple or complicated, on how to do IBM work easier, quicker and better.

How can you or IBM:

- Eliminate or reduce scrap or waste?
- Reduce the frequency of equipment repairs?
- Make repairs at less cost?
- Reduce or eliminate downtime on equipment?
- Improve operating procedures to increase efficiency?
- Combine two operations into one without sacrificing quality?
- Correct or reinstitute a lapsed procedure?
- Avoid duplication of effort?
- Reduce administrative time?
- Reduce, simplify or eliminate paper work?
- Combine or simplify reports to make them more useful?
- Improve product quality?
- Substitute a less costly material without sacrificing quality?
- Rearrange equipment for more efficient operation?
- Provide a better, less costly packaging procedure?
- Improve a method of handling materials?
- Reduce energy consumption?

It is the lone worker who makes the first advance in a subject. The details may be worked out by a team, but the prime idea is due to the enterprise, thought and perception of an individual.

What kinds of ideas can earn awards

It's important to know what makes a "good" suggestion; otherwise, you could waste your time and that of people evaluating your idea. The idea need not be complex. The key is value to IBM – an idea of value that is cost justified to implement. The idea must be accepted for evaluation and result in direct cost savings or other intangible value to IBM as defined by the provisions of the Plan.

In other words, provide a "better way." The emphasis is on a specific improvement or a specific solution to a specific problem. A generalization like "Production would be improved with better lighting" does not make a suggestion eligible for award consideration. Specifics like "Put cooling filters replaced during product preventive maintenance in one package, instead of two" or "Send envelopes to branch offices from the distribution center via internal mail instead of consolidated postage shipments" make a suggestion eligible for award consideration.

IBM wants you to suggest a specific operation, process, method or practice that will tangibly or intangibly improve the business. Your suggestion must be timely, practical and adoptable based on known technology and conditions at the time of submission. In addition, IBM must have the ability to make the suggested change without having to solve some other problem first.

What subjects to avoid

The basic intent of the Suggestion Plan is to award ideas that cause action resulting in savings or intangible value to IBM. To receive an award, all eligibility requirements must be met.

The following guidelines describe:

- What subjects are ineligible for an award
- Subjects that are normally not awarded
- Actions that predate a suggestion
- Subjects in the maturing process

● Subjects ineligible for an award

Some subjects do not qualify for award consideration under any conditions. These subjects pertain to ideas which do not result in savings or intangible value to IBM or ideas that do not relate to IBM. Examples are:

- ideas not directly applicable to IBM, its products or personnel
- ideas over which IBM does not exercise primary control
- recommendations for new products to be developed or sold by IBM
- new business ventures
- suggestions relating to computer programs released for customer use
- ideas requiring user input
- ideas relating to diagnostic programs released for customer and internal use
- new request for price quotations (RPQ) and special engineering requests (SER)
- ideas already under active consideration by the company

● Subjects that are normally not awarded

Any suggested change that does not result in tangible savings or meet the intangible award criteria is not eligible for an award. That means you should avoid suggestions concerning:

- routine corrections or updates to printed material and hard copy, terminal display or other form.
- periodic or routine matters for which established procedures are provided, such as:
 - housekeeping
 - normal maintenance and repairs
 - space utilization (planning and rearrangement)
 - requisition or purchase of commonly used items (obtained from local stock, purchased locally or available through the Corporate Contracts and Agreement Manuals)
 - ideas on subjects periodically reexamined by management.

Examples that normally fall in this category: increases or decreases in staffing, compensation, revenue, prices, use or sale of IBM products, advertising,

To make ideas effective, we must be able to fire them off. We must put them into action.

facilities (parking lots), reimbursement, employee benefits, awards, recreation facilities, IBM Club activities, cafeterias, and vending machines, unless they meet the savings or safety, health or security requirements of the Plan.

- **Actions that predate a suggestion**

In order for a suggestion to be awarded under the Plan, it should provide the earliest statement of the specific problem and solution to IBM. In other words, a suggestion is not eligible for an award under the Plan unless it is the first suggestion containing the solution used by IBM.

Suggestions can be predated by the following situations:

- ideas presented by earlier active suggestion(s)
- ideas already under active consideration by the company

- **Subjects in the maturing process**

Suggestions submitted regarding subjects in the maturing process are normally not awarded under the IBM Suggestion Plan. Ideas in the "maturing process" refer to aspects of the business that for a specific period of time are in a constant state of change. Some examples are:

- improvements to IBM products prior to release
- changes to informational systems being developed
- ideas concerning pilot production
- routine improvements to process/assembly lines during rearrangement
- improvements to newly occupied premises during the first six months of use (except for safety, health or security suggestions).

In these cases, management reserves the opportunity to apply known technology and make obvious improvements. Only in situations where management determines that an action was taken solely as a result of a suggestion can an award be granted under the Plan. If you have any questions regarding subjects that may be in the maturing process, please contact your manager or the Suggestion Department.

What happens to your suggestion

Suggestion

You develop an idea and submit it on an electronic or paper Suggestion Form. You are encouraged to review your idea with your manager.

Suggestion Department Processing

Your suggestion goes to the Suggestion Department serving your location. It is then date stamped, and it is assigned a suggestion number. However, if your suggestion is incomplete (e.g. missing a signature, etc.), it will be returned to you for additional information and will not be assigned a priority date. Within 10 working days of the receipt of your valid suggestion in the Suggestion Department an acknowledgment will be sent to you, referencing the number of your suggestion. This suggestion number is important. You must refer to it in all communications with the Suggestion Department. Your suggestion has an active life of two years from the stamped date, which establishes the priority of your idea.

Evaluation

The suggestion is forwarded for evaluation to the area that would be responsible for implementation if the idea is adopted. The responsible area recommends implementation or non-adoption of the idea based on their evaluation and forwards this recommendation to the Suggestion Department.

Suggestion Department Processing

Suggestions are checked against other active suggestions for award eligibility. If your idea is predated, you will not be eligible for an award and the Suggestion Department will advise you of this fact in writing.

An employee's eligibility is determined by IBM management. If all eligibility criteria have been met and the suggestion is to be implemented, an award is calculated based on tangible savings or intangible value to IBM. If your suggestion receives an award, your manager will notify you. If your idea is not implemented or is not eligible for an award, you will be provided with a written explanation.

What about reevaluation

If your suggestion was not adopted, but you have further information to support it, you may request that the suggestion be reevaluated. Submit your request on a new Suggestion Form and explain why you believe your original idea merits further consideration by providing additional information. Reference the original suggestion number and indicate "Reevaluation Requested" on the top of the form.

A reevaluation request does not extend the two-year active life of your suggestion. Moreover, you cannot alter your original suggestion. Different problems and/or solutions must be submitted as new suggestions.

Retired IBMers and those on the IBM Medical Disability Income Plan have reevaluation rights, but former employees do not.

Extensions are possible

If your idea is not adopted and you feel your suggestion still has merit, you may request an extension. If, however, your suggestion was determined to be "not timely" when the idea was originally evaluated, it will not be eligible for an award at a later date unless it is clearly evident that your suggestion could have caused action at the time of submission. "Timely" means that the suggestion must be implementable without IBM having to solve some other problem first. Therefore, you should only consider extending your suggestion when you require additional time to develop and communicate information supporting the adoption of your idea.

An extension request must be date stamped by the Suggestion Department before your current expiration date is reached. Any request for extension received after the expiration date will be treated as a new idea and assigned a priority date as of the date stamped.

A single idea, if it is right, saves us the labor of an infinity of experiences.

Jacques Maintain

Within 60 days prior to the expiration date of your suggestion, fill out a new Suggestion Form, referring to the most recent suggestion number assigned, and request that its active life be extended two more years. Briefly summarize the idea from the original form and write the words "Request for Extension" on the new form.

A new number will be assigned and you will receive an acknowledgement. Your suggestion will have a new two-year life (while retaining the original priority date). When the request provides new reasons for reconsidering the suggestion, a complete new evaluation will be conducted.

It is your responsibility to extend the active life of your suggestion. Requests for extensions received on suggestions that have expired will be considered as new suggestions. And, remember, if the improvement or the problem and/or solution is different in any way from the original suggestion, it must be submitted as a new suggestion.

Retired IBMers and those on IBM Medical Disability Income Plan have extension rights, but former employees do not.

Some general considerations

A suggestion that does not offer a specific solution may not be accepted for evaluation and may be returned to the submitter for a complete solution. IBM is not responsible or liable for developing alternate solutions if it does not adopt the solution contained in the suggestion.

It does take time to give your suggestion proper consideration. On the average, suggestions are answered in 30-60 days, but some take longer to thoroughly evaluate. It is not always possible to determine immediately whether a suggestion or suggester is eligible under the Plan. IBM must make that determination in its sole discretion.

No action which IBM takes, including implementation of an identical or similar solution, shall be deemed to constitute an agreement to pay for a suggestion. Independent conversations and agreements not consistent with the terms of the Plan are not binding on the company.

Suggestions will be evaluated for use at the location to which the suggestion specifically applies. IBM is not obligated to submit suggestions to any other location(s) or to all locations. Suggestions implemented at one IBM location may, at the sole discretion of the Suggestion Department, be forwarded to other locations for evaluation. If an idea is referred to another location for extended application within the first year after initial implementation, an additional award may be granted. In no event will the total amount awarded for a suggestion exceed \$150,000.

At times, similar ideas are adopted at locations to which the suggestion was not submitted or directed by the Suggestion Department. In these situations, only the suggestions specific to that location will be considered for an award. In no event will the total amount awarded for a suggestion exceed \$150,000.

When a suggestion is considered to be of substantial assistance in bringing about an improvement but does not provide the specific solution actually implemented, an award may be granted based on individual consideration. A decision to grant an award of this kind will be based on IBM's sole judgment and IBM's decision will be final, binding and conclusive. Such an award will not be subject to the awards provisions of this booklet. An award of this kind, however, will not be less than the Plan minimum or more than the maximum.

There may be times when an idea is adopted but there are no tangible savings, nor does it have an intangible value as described in the provisions of the Plan. When this situation occurs, the idea is not eligible for an award.

IBM is required to withhold taxes from awards paid under this Plan.

Awards payable to employees now deceased will be paid to the legal representative of the suggester's estate.

No interest will be paid on suggestion awards and IBM assumes no responsibility for not implementing or giving extended application to a suggestion.

Ideas move fast when their time has come.

Carolyn Heilbrun

The processing of a suggestion or payment of an award under the IBM Suggestion Plan shall not be deemed a waiver of, or in any way affect, any rights which the company may have to the subject matter of the suggestion according to law or under the Employee Confidential Information and Invention or Intellectual Property Agreement.

It is the suggester's responsibility to protect their patent or other rights if the company does not own such rights to the suggestion. If you believe that your idea is patentable, you may submit it to both the Suggestion and Patent Departments for consideration. A photocopy of the patent disclosure which you send to the IBM Patent Department should be attached to the Suggestion Form, referencing that disclosure for the description of the idea. You must also indicate on the Suggestion Form that the invention disclosure has been sent to the Patent Department.

By submitting a suggestion for review and possible award, the suggester waives any right to compensation for use of the suggestion except under the terms of the IBM Suggestion Plan. The suggester grants to IBM, from the date the suggestion is received by the Suggestion Department, an irrevocable, nonexclusive, unrestricted and royalty free license and right to sublicense, throughout the world, to make, have made, use, have used, lease or sell the subject matter of the suggestion.

Suggestions are governed by the terms of the IBM Suggestion Plan in effect on the date they are received. However, IBM reserves the right to change the Plan at its discretion and without prior notice. Any decision of the company concerning the terms or administration of the Plan, including the eligibility of suggestions and suggesters, and the amount of any awards made shall be final, binding and conclusive, and is within its sole discretion.

The IBM Suggestion Plan is a cash award program established to recognize employees for their ideas that improve the business; therefore, to facilitate communications, it is appropriate that the suggester be identified when submitting a suggestion. However, in unique situations if the suggester prefers to remain anonymous, the Suggestion Department Manager should be contacted.



Suggestion Form

IBM Machine/Product Name IBM Machine Type Machine Model Serial/Brass Tag No IBM System Type		Date of Receipt		Suggestion No					
		The expiration date of this suggestion is two years from the date of receipt stamped above unless an extension is requested.		Reel	Analyst	Location	Shift	Reference Code	
				Location of IBM area affected					
				Bldg	Floor	Column No	Dept.	Br. Office	
				Part, Report, Form or BM Name					
		Part, Rept, Form or BM No	Parts Cat. No	Page No	Mech. Cat.				
		Tool No	Oper. DP Job No	Reference Number					

IMPLEMENTATION OF THIS IDEA WOULD RESULT IN:

Tangible Savings Labor Material or Other please explain:

Intangible Value Product Quality Product Reliability External Customer Service Safety, Health or Security

Safety, Health or Security requires suggester's manager's signature

Manager's Signature

Date

STATE IDEA and IDENTIFY SOLUTION: You may use additional paper, attach sketches, or attach other additional information.

IDEA:

SOLUTION:

I understand and agree that it will be within the unlettered discretion of IBM to publish, use or refuse this suggestion, and that if this suggestion is published or used, the decisions of IBM shall be final, binding, and conclusive as to the amounts of a cash award, if any, and all other matters concerning this suggestion. I agree that IBM shall have all rights in this suggestion as set forth in the IBM booklet "Your Ideas Have Value".

First Name, Initial, Last Name (please print)	Employee Serial	Tel/Area/Tel. Ext.	Shift	Position Name	Signature (must sign)	
Field Loc. Address/Name of Plant, Lab, HQ, Loc.	Dept./Bldg./Br. Office	Internal Zip	Division	Date	Page Of	<input type="checkbox"/> Check if you will not permit publicity
Joint Suggester—First Name, Initial, Last Name	Employee Serial	Tel/Area/Tel. Ext.	Shift	Position Name	Signature (if joint, all must sign)	
Field Loc. Address/Name of Plant, Lab, HQ, Loc.	Dept./Bldg./Br. Office	Internal Zip	Division	Date	<input type="checkbox"/> Check if you will not permit publicity.	

PLEASE READ THE BACK OF THIS FORM BEFORE SUBMITTING YOUR IDEA

IBM Suggestion Form

All IBM employees are invited to participate in the Suggestion Plan. The IBM booklet, "Your Ideas Have Value" Form No. ZV04-0210 will provide you with detailed information regarding the Plan and its operation. Be sure to read it.

You should be aware of the following information — all of which is discussed in "Your Ideas Have Value".

1. All suggestions are submitted and awards are made in accordance with the provisions of the Suggestion Plan.
2. In exchange for the consideration of this suggestion by IBM under the Suggestion Plan, IBM receives a license as explained in the booklet.
3. It is your responsibility to protect your patent rights if IBM does not own your suggestion under the Employee Confidential Information and Invention or Intellectual Property Agreement.
4. The processing of a suggestion or payment of an award under the IBM Suggestion Plan is not a waiver of any rights which the Company may have to the subject matter of the suggestion according to law or under the Employee Confidential Information and Invention or Intellectual Property Agreement nor will it in any way affect these rights.
5. IBM does not wish to receive non-IBM information which you consider or know to be secret or confidential. It is understood that any information supplied relative to this suggestion is not of a secret or confidential nature, nor will it establish a confidential relationship of any kind.
6. Suggestions developed or provided by any person or persons other than the suggester or suggesters are ineligible for awards and should not be submitted.

Important

IBM does not solicit ideas from non employees: unsolicited ideas and suggestions from non employees are to be referred to the Manager of External Submissions at Corporate Headquarters in accordance with the specific instructions set forth in the IBM Manager's Manual Section 10-09.

Speak Up...it's your company, too.

Speak Up is for IBM employees and retirees who want to make their comments, questions or concerns known to management...and your identity will be protected.

You may write a Speak Up at any time, but it's always a good idea to first consider doing one of the following:

- ▶ Talk to your manager. He or she may be able to give you an immediate answer, get one for you, or put you in touch with the right department.
- ▶ Check the "About Your Company" booklet, which contains details on IBM's benefits and employee services.
- ▶ Call the department involved to get a direct answer to your question.
- ▶ Use the Suggestion Program if you have an idea that could save the company time or money. Suggestions submitted through Speak Ups cannot be considered for awards.

What happens when the administrator receives my Speak Up?

The administrator personally opens your Speak Up, assigns a number to it, detaches the name stub and places the stub in a locked box.

Your Speak Up is typed (so that your handwriting cannot be identified) and sent to the appropriate management for a reply, which is returned to the administrator. The administrator personally addresses the envelope and sends the reply to your home in the external mail.

What if I don't sign my Speak Up?

If you don't include your name, we cannot send you a reply, nor can the administrator call you if more information is required.

Model shown in illustration

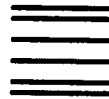
Personal

BUSINESS REPLY MAIL

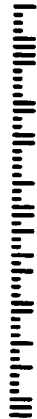
FIRST CLASS MAIL PERMIT NO. 40 ARMONK, NEW YORK

POSTAGE WILL BE PAID BY ADDRESSEE:

**Speak Up Administrator
IBM Corporation
1133 Westchester Avenue
White Plains NY 10604-9964**



NO POSTAGE
NECESSARY
IF MAILED IN THE
UNITED STATES



Please fill in your division or line of business

Speak Up gives you another voice in the company. Don't be afraid to use it, but use it wisely. If the Speak Up brochure doesn't have all the answers you need, call your Speak Up administrator.



This stub will be removed on receipt by the Speak Up administrator, who will be the only person to see it.

- Check here if you prefer to discuss this matter with a qualified person.
- Check here if you do not want your Speak Up considered for publication.

Remember, if you don't include your name, you cannot receive an answer.

(For program use)

Please print clearly

Name		Division/Department	
Home address		Home telephone	
City	State	Zip code	Work shift
EM location	Work telephone	Node/Userid (optional)	

Fold first ▶

Speak Up!

(For program use)

For IBM employees and retirees only

Speak Up!

▶ Fold second

Your Speak Up will be typed so that your handwriting cannot be identified.

Suggestions that give specific solutions and are intended for award consideration should be submitted through the IBM Suggestion Plan.

Speak Up...

When IBMers Speak Up, IBM listens.

This brochure is for those who may have heard about the IBM Speak Up program, but are not sure what it's about, why it exists, or how it can be used effectively.

Speak Up is about communicating. Specifically, Speak Up is an employee-management communications program that's anonymous. You may ask questions or make comments and receive a reply without revealing your identity to anyone except the Speak Up administrator. That's why Speak Up exists... because even if we don't know your name, we still want to hear your questions and comments, and respond to them.

Speak Up... about what?

Speak Ups have changed holiday schedules and cafeteria menus. Speak Ups have dealt with office services and working conditions... with smoking and not smoking...

with pay, promotion and products. Speak Ups have been used to complain and compliment. More than 250,000 Speak Ups have been written since the program started in 1959. Today it serves IBM employees and retirees in 60 countries.

How to submit a Speak Up

Speak Up is managed by Corporate Communications under the supervision of location and division Speak Up administrators. Speak Up forms and instructions for their use are available company-wide.

Use the Speak Up form to write comments, questions or concerns as you see fit. Fold the pre-addressed, postage-free form and send it via internal or external mail.

Speak Up gets answers

When you use Speak Up and provide your name and home address, your reply will be in the form of a personal letter. This letter is signed by a senior manager and sent directly to you at home by the

Speak Up administrator. If you want to talk to someone, the Speak Up administrator will arrange a private phone call or personal interview with a person qualified to discuss your concern.

No one but the Speak Up administrator knows a Speak Up writer's identity. If you wish, you may permit the Speak Up administrator to give your name to the person who is preparing the response, so that person can collect any additional information that's needed. Otherwise, your anonymity is assured.

The primary benefit of signing your Speak Up is that *you get a direct answer*.

Unsigned Speak Ups are also reviewed, but you don't get a direct answer. Unsigned Speak Ups of wide general interest may be printed in an employee publication. But, since this is an editorial judgment, your Speak Up may not be chosen for publication.

Before you Speak Up... look around

IBM welcomes employee comment of any kind. But before you submit a Speak Up, there are other avenues of communication you might try first.

A talk with your manager is always the best place to start and may get you a faster, more helpful response. He or she knows you and your job... and wants to help. That's part of being a manager.

If your comment has to do with company policy or benefits, read the booklet, *About Your Company*. You may find the answer there. If your comment involves another department, you can call it directly. You may get your information or have your problem resolved sooner. What you have to say may be of interest to that department as well.

Finally, if you have an idea that could save the company time or money, the IBM Suggestion Program would welcome it. It could even earn you a cash award if your idea meets Suggestion Program criteria.

Some ideas on how to Speak Up

If you've decided to Speak Up, read the form. These suggestions may help:

1. Outline your thoughts before you start writing.
2. Know what you want to say. Be direct.
3. Avoid distracting side issues.
4. Provide all the necessary facts.
5. Type, or write legibly.
6. Review what you've written before you send it off.
7. Be patient. It might take some time to research your subject and write a thorough answer.

After we hear from you

When your Speak Up arrives at the administrator's office, the first thing the administrator does is protect your identity. Personal information is removed and kept in a locked, secure file and office. Your Speak Up is identified by a number from then on.

Your comments are edited to remove anything that might identify

you. The form is retyped and assigned to the appropriate manager. That manager may assign an investigator to gather more information and write the answer.

If more information is needed, and you've signed the form, the administrator will contact you.

After investigation, the administrator verifies that your Speak Up has a complete response. The administrator personally addresses the envelope and mails the letter directly to your home.

Speak Up...it works

Speak Up is another channel of communication, and it gives you as much protection as you want. It works. We've been getting Speak Ups every year... for more than 25 years. Maybe this is the year for yours. If it is... Speak Up.