



We Are Emerson



**Emerson  
Management  
Process**

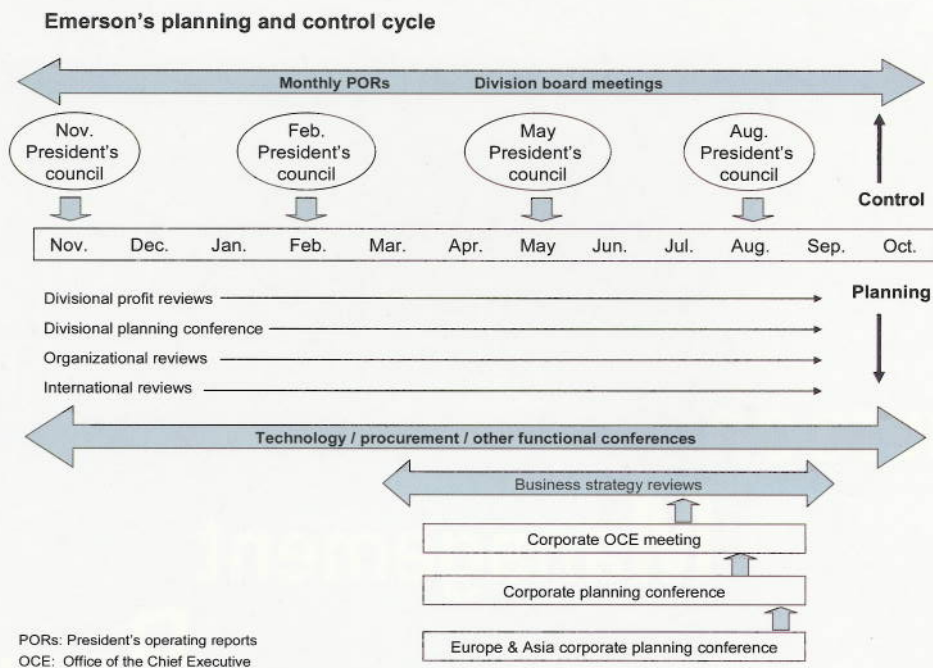
# EMERSON MANAGEMENT PROCESS

## 1. Keep it Simple

The ability to keep things simple requires intense focus, discipline, energy, and commitment on the part of leaders. It forces us to set a few clear priorities and communicate them in ways that all employees understand and support. It also helps us overcome inertia and bureaucracy and fights the common organizational tendency to add nonessential capability and pursue unnecessary initiatives.

## 2. Commitment to Planning

At Emerson, planning is a contact sport – a rigorous, intense activity performed by the people in each of our divisions engaging the top leaders of the company. It sets the company's direction, identifying the sources of growth and profit that will carry us forward. It identifies and ranks the specific investment opportunities that will create the most value for shareholders. Because those who plan are the people who execute, planning results in a better, more uniform understanding of corporate and divisional priorities and the link between them. It also results in decision-making and action that are more closely aligned from the top to the bottom of the organization.



Beginning each November, the cycle begins at the division level, where we plan separately for profitability and growth as well as for organization. During the following summer, we conduct strategy reviews of our business platforms. We use this opportunity to identify and extract synergies among the divisions and leverage our capabilities. Finally, in late summer, we pull together the corporate plan. This plan is presented first to the Office of the Chief Executive (OCE) and then to our annual corporate planning conferences in Europe and Asia to communicate the corporate strategy to wider audiences of managers.



From a planning perspective, the key events at the division level are the profit review, the planning conference, and the organization review, which are held in sequence. In the profit reviews, the profit plans are based on conservative assumptions about pricing and volume growth to ensure that it will deliver on its profit commitments even in the tough times. This approach forces us to identify and discuss specific programs including necessary job moves, plant relocation, outsourcing and other actions to improve asset management, to meet our margin objectives. Next, in the planning conference, we look at the division's growth plans to evaluate its prospects for the next five years. Division management will present the strategy for generating growth and improving margin with systematic and detailed analysis of customers, markets, competitors, and channels, which is the heart of the meeting. Finally, we examine the division's organization structure and management team to ensure that it can execute the agreed-upon strategy.



**3. *Strong System of Follow-up and Control***

The cycle begins each year with the financial review, in which each division president, along with appropriate staff, meets with the COO, the CFO and other senior corporate officials to review performance against financial plan, with a detailed financial forecast of the coming year.

During the fiscal year, the division presidents submit presidents' operating reports (PORs) every month. The reports summarize the divisions' results and immediate prospects, focusing on the current month and the three months ahead, and they also update expectations for the remaining quarters and fiscal year.

The division management boards meet six to eight times per year to review financial performance and monitor actions and programs approved in the annual planning conference.

The president and chief financial officer of each division meet quarterly in St. Louis with the business leader, the COO, the CFO, and other corporate officers to discuss short term operating results and look in the current quarter. We call these sessions the presidents' councils. Waterfall chart is a key exhibit, which lists all the components of cost for a division. The waterfall chart requires division managers to understand what is happening to each cost component, to provide a good explanation for any upward trend, and to ensure that progress in other areas will offset any problems and enable the division as a whole to reach its target margin.

Meanwhile, the Office of the Chief Executive (OCE) meets ten to twelve times each year to review and discuss issues facing the divisions, businesses and corporation as a whole.

**4. *Action-oriented Organization***

We have a visceral aversion to bureaucracy. We operate at the corporate level without a published organization chart because we want people to communicate quickly in terms of plans, projects, and problems, and not along organizational lines. We also work constantly to lower the barriers to effective action and insist on frequent, candid communication about the state of the business. Constant communication means that every one knows what's expected.

We plan our organization with the same intensity as we plan our businesses. Annual organization planning sessions in every business and division ensure that we have the right management in place to implement our plans.

**5. Operational Excellence Strategy**  
*(previously named Best Cost Producer Strategy)*

As a manufacturer competing globally, we must develop the best products, services, and solutions and produce them at the best cost. This requires a deep understanding of customer needs and priorities. It also requires rigorous analysis of the best global competitors. It means having a global competition plan that spells out the action we will take, as well as their priority and sequence, to ensure that we remain our customers' favored partner. It means communicating the company's objectives so that all employees understand them and the part they play in helping to reach them. Finally, achieving operational excellence also requires that we effectively manage assets and ensure that they remain productive over the long term.

**6. Creating An Environment in Which People Can and Do Make the Difference**

The final element of the management process is leadership, which we define as creating an environment in which people can and do make the difference. Following are the ten attributes of effective business leaders:

- Be committed to success
- Set proper priorities
- Set and demand high standards of excellence
- Be tough but fair in dealing with people
- Concentrate on positives and possibilities
- Develop and maintain a strong sense of urgency
- Pay attention to detail
- Provide for the ability to fail
- Be personally involved
- Have fun

***This distinctive management process, a cornerstone of Emerson's success.***



The above Emerson Management Process is extracted from "**PERFORMANCE WITHOUT COMPROMISE** - How Emerson Consistently Achieves Winning Results" by Charles F. Knight with Davis Dyer, Harvard Business School Press 2005

