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“OUR PAST, YOUR FUTURE”

I knew this meeting was going to be a little different when they showed me the invitation...

SLIDE 1: INVITATION SHOWING MAN WRESTLING ALLIGATOR

Got your attention, didn't it?

John Gardner asked me to pose for that photo, but I declined.

You know, the Board had a hard time deciding where to hold this meeting. We had it narrowed down to Omaha, Bakersfield and New Orleans.

Do you think they picked the right place?

New Orleans is amazing.

It's the only city in America where they ENCOURAGE you to drink in the streets.

Actually, we chose New Orleans for two reasons.

First of all, we wanted you to SHOW UP.

And since more than 500 of you are here today, we must have succeeded.

This is our ONLY general session.

We thought you'd like that.

We have kept the speeches to a minimum.

Most of our time here in New Orleans will be spent in workshops and hands-on courses.

So...no matter how late you stay out tonight, don't miss them.

Just as important as the scheduled sessions are the unscheduled ones.

Over the years, I must have been to hundreds of conferences.

I can't tell you much about the speeches I heard.

But I DO remember the people I met and the friends I made.

Those relationships helped me to open doors, solve problems and create a network of peers all over the world.

For fifteen years this meeting has been sponsored by Fisher-Rosemount Systems.

Not this year.

On April 1st, Fisher-Rosemount became Emerson Process Management.

We have a new name for a new era.

SLIDE 2: NEW EMERSON LOGO

This is not a superficial change.

It is directly in line with our business strategy.

Our new name links Fisher-Rosemount directly to the Emerson family of companies.

There can be no doubt about who we are or what we do.

No one will mistake us for makers of stereo equipment.

The breadth and diversity of our product line is constantly expanding.

In the world of process control, Emerson offers one-stop shopping.

We combine the quality of Nordstrom with the selection of Wal-Mart.

As our new CEO, David Farr, said recently: "We are creating a new company...aligned with the most dynamic markets of the new millennium."

SLIDE 3: DAVID FARR with quote under picture

Emerson has been an industry leader for more than a century.

How many companies can say that?

We have a 111-year history of innovation, integrity and growth.

However, a proud past is not enough to compete in the 21st century.
You may recall that Montgomery Ward was 120 years old when it went out of business earlier this year.

We are not in the newspaper every day – and we don't care to be.
We'll give that space to start-ups.
Dotcoms get publicity.
Emerson gets results.

We have a clear vision of where we are going and an effective strategy on how to get there.
Even in the current business climate, Emerson remains profitable.
As other companies lay off thousands of employees, our workforce remains stable.
While our competitors have cut back, we are in our fifth decade of growth.

SLIDE 5: BRAND LOGOS

I like the old expression “Put your money where your mouth is!”
Emerson has done just that.

Over the last five years we've invested more than TWO BILLION dollars in technology that provides our customers with a clear competitive edge.

SLIDE 6: R& D spending over last five years.

Our investment in engineering and development has grown every year since 1973.

Last year alone our research budget was nearly \$600 million – focused primarily on communications, software and electronics.

(Repeat words slowly)

SIX HUNDRED MILLION DOLLARS.

That's serious money - because Emerson is serious about innovation.

We invited you here not just to show and tell, but also to learn and respond.
We are more interested in listening TO you than talking AT you.

We want to do more than react to your needs – we want to anticipate them.

I've been in this business for longer than I'll admit.
I started out as an instrument technician.

One of my main jobs was to check the transmitter in the metering station.
I had to pull on my boots, put on my hard hat and drive two miles to the edge of the plant property.

Then I had to get out of the truck and read the meter – if I could find it.

In February the gauge might be buried in ten feet of snow.

So I brought along a shovel to dig it out.

Whether the temperature was minus forty or plus 102, I still had to read that meter.

I thought to myself back then: **THERE'S GOT TO BE A BETTER WAY.**

And, sure enough, there was.

We just hadn't come up with it yet.

As many of you know, today's instrument technicians live in a different world.

They have the latest technology at their fingertips.

Smart instruments really live up to their name.

They do the work and make us look smart.

Today you don't have to walk the plant to check it out.

The system alerts you when there's a problem.

Come to think of it, smart instruments are a lot like teenagers.

They call YOU on a cell phone when they are in trouble.

Every company in America claims to care about its customers.

Politicians tell us they can feel our pain.

Unfortunately, many companies don't care what you're feeling.

They make that clear by how they treat you.

The last time I called the phone company, I felt lots of pain.

They put me on hold and played Muzak for half an hour.

I heard the William Tell Overture before I spoke to a human being.

Being customer-driven does NOT mean driving customers crazy!

At Emerson we live in a CUSTOMER-CENTRIC UNIVERSE.
Let me explain what I mean by that.

Five hundred years ago, Galileo got in big trouble by suggesting that the earth rotates around the sun.

He discovered that our planet was NOT the center of the universe.

At Emerson, we have always known our place in the galaxy.

We are customer-centric.

We revolve around you, not the other way around.

We are organized around your needs.

More than ever, we are streamlining our processes to better interact with our customers.

We are expanding our e-business capabilities.

We want to make it even easier to do business with us.

If we don't continue to make your life better, you'll look for another company that does.

That's why we are constantly developing and refining our systems and products.

Remember when Detroit had five-year model development programs?

Today that is ancient history.

Toyota recently announced a 14-month development cycle.

In his book, NEW RULES FOR THE NEW ECONOMY, Kevin Kelly said, "If you are not in real time, you're dead."

That may be a slight exaggeration, but not by much.

Emerson is committed to new research and development that makes a measurable difference to our customers.

Our feet are planted in the present but our eyes are focused on the future

PlantWeb is perfect example of our targeted investment strategy.

Today it is being chosen by an increasing number of large, global customers for their most demanding applications.

Our decade-long investment in this process dramatically improves the efficiency of customers' operations.

That's with industries as different as brewing beer to making butter.

Of all the qualities I've come to appreciate over the years, nothing takes the place of persistence.

Some of my friends call it stubbornness, but I prefer persistence.

Let me give you an example of what I mean.

It's called Fieldbus.

In 1983, some of us from attended an industry tradeshow and were awestruck by what we saw.

Unfortunately what impressed us was a competitor's product -- an instrument that featured digital communications between the field and the control room.

The device was not sophisticated.

In fact, it was crude.

But in it we saw the future -- and, frankly, it scared us.

It was not the product itself that impressed us, but the threat it represented. We realized that if control system companies developed proprietary communication systems, our company would be out of business.

Whoever controlled communications would control what was connected to it.

We knew back then that we needed to create a single communications standard that would stave off proprietary communications schemes.

One standard was in our best interest, as well as in that of the public.

Competing communication systems would be bad for our customers.

They would increase costs and complexity -- and cause a lack of flexibility within the industry.

We floated the idea of a single communications standard to industry leaders. Some of them understood immediately and we formed a group to explore the idea.

Unfortunately, others could not see beyond competition and shot down the idea.

It's not easy to get any company to agree on a new concept -- much less a number of companies who are fierce competitors.

Eventually the group dissolved

But the problem persisted.

One of the biggest difficulties was trying to create a new standard

Like the crew of the Starship Enterprise, we were going where no one had gone before.

Usually a new technology standard emerges only after it is tested by a variety of conditions and users.

In this case, that wasn't possible.

We were making it up as we went along.

We found ourselves arguing for a standard that had no track record to stand on.

Fast forward to 1992.

It's nine years later and we are still stuck.

We had attended hundreds of meetings, made thousands of phone calls and still had no standard.

But we had made some progress.

Four companies had gotten the message and put together a consortium to work together to create a standard.

We even made a public announcement hoping to attract others to join us.

Unfortunately it didn't work as planned.

Other companies saw our action as a threat and were determined to oppose it.

From '92 to '95 we fought the First Fieldbus Wars.

There were no fatalities.

However, there were days when I was ready to be buried.

There were times when I was sure all our work was in vain.

For every step forward, we seemed to take another step backward.

But the stakes were too great to give up or to give in.

We held on...and kept plugging away.

By 1993 the consortium had grown to six members.
At last we conducted a demonstration of the Fieldbus communication protocol at Monsanto's Chocolate Bayou chemical plant in Texas.

We held our breath.
Some of us prayed.
And then, like Galileo adjusting that first telescope, a whole new world opened up in front of our eyes.
Fieldbus worked!

The field test was the proof of viability we needed.
Finally we had the hard facts to support our long-held theory.

We spent the next six months pushing a competing consortium to join forces and merge with us.
During that period I gained a new respect for the arts of diplomacy and negotiating.
The talks were tough and the rooms were often smoked filled.
It was a cross between the UN Security Council and an old-time political convention.

At last, common sense prevailed.
The result was the non-profit Fieldbus Foundation, created in 1994.
I became its first chairman and have served in that position for seven years now.

Now, don't forget that at the same time all this was happening, we still fighting the Fieldbus Wars.

I spent months in Washington and Europe trying to convince the Departments of State and Commerce that the European standard was a barrier to free trade – that it would lock out U.S. firms.

Finally, in 1999, the issue came to a vote before the IEC.

To have Fieldbus named as the official standard we needed a 75% majority.
Like the U.N., - no matter what its size – each country got one vote.

We lost by 4 votes.

We didn't have time to be disappointed.
We'd spent too much time and effort to quit now.

I went to the IEC Board and urged them got out a map.
On it, I colored all the countries that had voted FOR us in blue and all those that voted against us in red.

Except for the Germans, only small, postage-stamp sized countries opposed Fieldbus.

We urged the IEC to look into the technical explanations that each country had to file with its vote.

They found that that he standards committees of the countries that opposed us had all used identical language in their technical papers.

What's worse, it was language that had been supplied by our German competitors.

Clearly this was a breach of the rules.

Ultimately, we lost the battle but **WON THE WAR**.
The IEC didn't overturn the vote, but they effectively overruled it.
In 1999– Foundation Fieldbus became the international communications standard.

We no longer faced the threat of proprietary standards that would hold our customers hostage.

At the same time establishing the Fieldbus Foundation, Emerson began working another bold new concept -- one that would eventually turn into PlantWeb.

The idea was simple and revolutionary.
We believed that digital technology could make possible a network with diagnostic and predictive capabilities.

We felt that the traditional concept of a central control no longer made sense.

That was considered a radical a concept at the time.

We knew we were on to something big.

It wasn't just outside the box.

It was a whole new box.

If we could translate our concepts into products, we could change the industry.

Then we got a lucky break – and quickly capitalized on it.

In 1992, Emerson had the opportunity to acquire Fisher Controls and we jumped at the chance.

Our chairman, Chuck Knight, gave us the green light – and within a few months I moved to Austin to run the combined operations.

It gave us the end of the loop that we didn't have before.

Now I was responsible for both the device portion and the control end.

And I got to live in Austin – which is a great place if you get through August.

As separate companies, Fisher and Rosemount were struggling.

By combining their strengths, we could reach a potential that neither company could achieve on its own.

We scrapped our existing plans and started developing what would become DeltaV and AMS software.

We began to create an architecture that could handle lots of information, but would still be easy to use.

If were going to create something totally original, we had to put together a team of top people and not harness them with the usual bureaucratic structure.

We had to give them non-traditional freedom in order to provide non-traditional results.

To create a drastic change in technology would take a drastic change in our corporate culture

I called in my friend, Jim Hoffmaster, to take a look at the group we'd assembled and assess the direction in which we were headed.

After a few days, he informed me in his typical frank fashion: "John, you haven't gone nearly far enough."

He used a few other choice words to make his point - and I got the message.

SLIDE 7: DeltaV TEAM: Duncan Schleiss, Ron Eddie, Mark Nixon, Steve Boyce

The question we were asking ourselves was: how do we best foment revolution? How do we facilitate a complete break from the past?

The answer was to physically separate the dedicated team from the traditional organization.

In 1995 we moved forty people moved across town to what we called the Hawk site.

It was named after the Tomahawk missile – one designed to attack fast and low – just under the competitor's radar screen – and with devastating force.

The team members were told that in this mission there were no sacred cows. They had a clean sheet of paper – but they would have to write in a new language.

We didn't want to change the rules.

We wanted to change the game.

SLIDE 8: Steve Anderson, Pat Nixon

Everything was new – Fieldbus, DeltaV and the devices.

They teams would try something and it wouldn't work.

They didn't even know which part of the system caused the problem.

They'd jump in and solve one issue, then move on to the next.

Along the way, we created an ever-expanding nucleus of features that worked.

We developed new processes that allowed our teams to move rapidly.

Ad hoc teams were formed to solve problems.

We called them Crashes and Lockups groups.

They would take the most serious problem, name a leader, organize a team and meet every day – Saturdays and Sundays included – for 16 hours a day until we had a solution.

Progress meetings had only one rule: only two pieces of paper were allowed. One page summarized what had been accomplished. The other page listed what remained to be accomplished.

SLIDE 8: EXTERIOR OF HAWK SITE...OR OFFICE SHOT

It was a unique operation.

The minute you walked on the site, you could feel the difference in the air...and you still can.

SLIDE 9: John Westbrook, Dale Borgeson, and Steve Zielinski

As Steve Zielinski said, “A huge specification leaves room for huge interpretation.”

So everyone had to work very closely to keep everything on track.

Metrics – on just about everything – were an important way to keep the different teams on track. They also became the basis for decision-making about product releases because they pinpointed faults within a system.

The “Test-O-Ramas” in Austin were a rich source of metrics. People attended them from technical divisions throughout the company.

SLIDE 10: TEST-O-RAMA

Bringing engineers together at Test-O-Ramas helped to create a sense of focus and urgency and bring about rapid change.

They also provided a new communications channel that didn’t exist before PlantWeb.

Each division was forced to understand other divisions’ processes and procedures so they could work together effectively.

To integrate so many different technologies made open communications critical.

The technologies were necessarily complex.

Our role was to hide that complexity.

When PlantWeb comes to life in front of a user, simplicity is the goal.

Achieving that was not easy.

In addition there was the critical safety factor.

SLIDE 11: Bob Karschnia, Marcos Peluso

As Marcos Peluso put it: “You don’t play with this equipment. People’s lives and the environment are at stake.

We need to have exhaustive testing and be absolutely quality-oriented.

I tell people we must go slowly because we are in a big hurry.”

SLIDE 12: Allan Samson, Chuck Gray

At first the problem was our different cultures, tools and software.

All these differences had to be put aside.

We had to forget the past and use common platforms and common software as much as we can.

That led to faster development, made testing easier and saved a tremendous amount of money down the road.

Slide 13: Behzad Rezvani, Bob Lattimer

Reusing software also resulted in a better product. Each reuse includes previous improvements so that the product keeps becoming more resilient and a better value.

Single platforms reused for different products also meant that development costs dropped dramatically.

Over the next few years we made steady progress – and soon realized that we had to start focusing on customers and marketing approaches.

We didn't want to get wrapped up in internal technobabble. We could have the greatest concept in the world, but if we couldn't explain it and sell it, we were sunk.

That's when we brought in Katherine Button Bell as a marketing consultant. She hired the right agency to market us and we developed a powerful interactive web site.

By that time, we had victory on the other front as well. PlantWeb had become a reality.

Last year Emerson gave PlantWeb its highest technology award – and we're proud of that – but the real payoff comes in seeing PlantWeb working successfully around the world.

Our successes with Fieldbus and PlantWeb were like military campaigns. They took years. They may have taken years off our lives. But they made a difference for our industry and our company. And the victories were sweet.

They represent the technological leadership we expect from ourselves – and the level of personal commitment we ask of you.