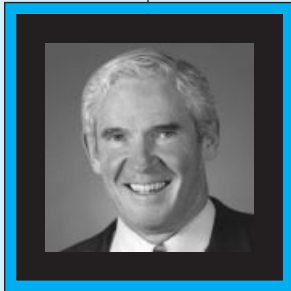


Ten Rules for Leaders

Charles F. Knight

In 1973, when I became CEO of Emerson, I was thirty-seven years old and had a tough act to follow. My predecessor, W. R. “Buck” Persons, had led the company for 19 years and initiated its continuing transformation from a medium-sized producer of electric motors and fans with a defense contracting business into a strong, diversified manufacturing corporation. The Persons era was a time of great prosperity for the company, its employees, and its stockholders.

During the next 27 years, with the help of many thousands of energetic, committed employees, we instituted and refined the Emerson management process, and it delivered. Between 1973 and 2000, when I stepped down as CEO, the company’s sales rose more than fifteen-fold, to more than \$15 billion in fiscal 2000, and net earnings increased eighteen-fold, to more than \$1.4 billion.



Emerson’s record of increased earnings per share and dividends each year for these 27 consecutive years is among the longest for consistent performance in American business.

A critical element of the management process is leadership, which we define as creating an environment in which people can and do make a difference. Leadership is a subjective matter, and there is no single correct view of what makes a good leader. My own view of what works best in an organization is presented here.

I like to make lists and especially lists of ten points. Many times I’ll write a long list of points about a topic and stew over it for a while, then do some sorting and arranging, trying to understand the relationships. If possible, I’ll boil the list down to ten points. Cutting the list shorter risks blurring distinctions

and burying key points; making it longer is undisciplined. Ten is not a magic number, but getting the points right stretches the mind.

Following are my ten attributes of effective leaders, the ten keys to creating an environment in which people can and do make a difference. As individual points, they may seem obvious. Collectively and cumulatively, however, they help create the environment for exceptional organizational performance.

1. Be Committed to Success

Leadership starts here, with a commitment to success. We all see people we know will succeed, and most of them pour enormous energy into projects or assignments. They also have the perseverance to stay with an issue or a problem until it gets resolved. That combination of energy and perseverance is central to the commitment to success. And that commitment is contagious. It galvanizes an organization, big or small. And obviously, people like to be on a winning team. Similarly, people quickly spot a lack of commitment. That too is contagious, and it drags down performance.

2. Set Proper Priorities

No one disagrees with the critical importance of setting proper priorities, but time after time, I’ve seen

organizations struggle because their leaders didn't or couldn't do it.

They typically get in trouble for three reasons. First, it takes hard work and hard thinking to identify a limited number of actions and communicate them in a clear, logical sequence—to keep things simple. Second, leaders may pursue the wrong priorities, but they are just as likely—maybe more likely—to be unsure of what the right priorities should be, especially in a fast-changing world. They don't take

business every year. However, our planning process and cycle gives us repeated opportunities to examine and question our assumptions and identify what's important. Planning also gives us the discipline to keep asking questions and to keep resetting priorities when circumstances change.

An important aspect of setting priorities is to communicate them to the people who must understand them and follow through. If only a few people understand what the

high standards and observe them personally, the organization won't meet them. Compromises can be demotivating and debilitating.

Good leaders maintain a healthy level of productive tension. This does not mean that leaders impose a threatening atmosphere where people fear for their jobs. Instead they promote the kind of tension resulting from people wanting to rise to extraordinary challenges and wanting to be held accountable. True leaders challenge their people, constantly, to do better. They ask basic questions and don't accept answers that haven't been thought through.

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***Leadership starts with
a commitment to success.***
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the time and do the work to get their priorities right. Third, leaders often experience difficulty in managing the trade-off among conflicting objectives, such as profit and growth. They don't know which to attack, in which order, and how moving in one direction affects progress in another.

The need to set the right priorities is one reason Emerson invests so much time in planning and re-planning. Some people think we're nuts because we replan every busi-

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3. Set and Demand High Standards

A leader must have high standards for integrity, excellence, and performance. If a leader does not set

4. Be Tough but Fair in Dealing with People

The word *tough* is often misunderstood. In 1978, *Forbes* ran a cover story on Emerson, and in the accompanying editorial, then-editor James Michaels explored the meaning of *tough* in a business context. The dictionary's definition, he pointed out, is "having the quality of being strong or firm." "Being tough," Michaels noted, "does not imply being heartless or irresponsible."

Leaders must be tough—strong, firm—in demanding performance and accountability, just as boards of directors must be tough with CEOs and management teams. This is an

area where people will quickly detect compromises and modify their behavior accordingly. This doesn't mean that leaders can be arbitrary or act too quickly in making changes. That's where being fair comes in. We don't trust managers who shoot from the hip, especially on personnel matters. You have to give people enough time to find out whether they can deliver. They must have room to fail and learn from failure. If problems persist, then it's time for a change.

5. Concentrate on Positives and Possibilities

One of the best pieces of advice I received when I joined Emerson came from a veteran board member, Maurice R. "Dude" Chambers,

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*It takes hard work and hard thinking
to keep things simple.*
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chairman of Interco. He said, "In setting priorities, don't waste time and effort on issues that can't be influenced or problems that can't be fixed. Attack the issues where you can make a difference."

Leaders invest their time and energy in reaching ambitious but attainable

goals. They don't squander their time and energy on trying to meet challenges that cannot be met or trying to undo the outcomes that can't be undone. Nothing can be gained by tilting at windmills, but a great deal can be accomplished by focused efforts to achieve the possible, even if it takes a long time.

6. Develop and Maintain a Strong Sense of Urgency

I've never run across a real problem that went away because people ignored it. It will be there tomorrow, and it's going to get worse until it is resolved. It is particularly important to address operating and people problems quickly, because they will cause the most trouble in the short term.

Good leaders have a bias for action. They recognize that it's better to do something than nothing. If they don't get it quite right, they'll keep trying until they do. Emerson's core beliefs and management process help instill urgency in everything we do. When we confront strategic problems, we search urgently for

the facts to support the best decision. And after the decision is made, we act urgently to implement it.

7. Pay Attention to Detail

We all make mistakes, and many—perhaps most—of them result from not having all the facts. Getting as much information as possible is critical to making good decisions. That takes hard work and there are no shortcuts.

Getting the facts right is vital to Emerson's success as an acquirer. Mistakes in this area can be costly. As a result, we developed what we believe to be a due diligence process second to none.

In addition to getting as much information as you can before making a key decision, you need to recognize when you don't know what you don't know—a domain vastly greater than what you are ever likely to know. When we're not comfortable with an analysis or a decision, even if we can't explain why, we've learned to insist on doing more work.

8. Provide for the Possibility of Failure

Things rarely go exactly according to plan, and this is one reason we plan every year. We all want to

limit and control losses, but an occasional failure is the inevitable price of innovation and learning.

An organization must find ways to motivate people to think boldly and creatively. To do this, we encourage programs and initiatives that are experimental and somewhat risky, if they are well thought out.

to be aloof and inspirational at the same time. Yet personal involvement is a scarce resource: no one can give wholehearted attention to a great many issues.

At Emerson, we use the concept of *loose-tight controls* to guide these decisions. We carefully identify what's important and align that with our

also with the hundreds of people who reported to them.

I also personally attended to two other matters. First, I signed off on the pay and benefits package at every plant, because our cost basis depended on it. For the same reason, I looked closely at regular surveys of plant-level employees to be sure we were treating our people well. Second, I invested my time in organization planning and in making management appointments, because it is the high quality of the people at Emerson that ultimately accounts for our results.

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***When few people understand the priorities,
the organization struggles.***
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Emerson's Strategic Investment Program (SIP) provides many examples of our attitude toward opportunity and experimentation. Because we don't have a corporate R&D center and because each of the divisions operates on a tight budget, we created SIP to fund projects that division managers feel are too risky or cannot be accommodated within their budgets. SIP gives them the flexibility to try new things, and it provides Emerson with some of its best growth opportunities.

9. Be Personally Involved

Leaders have a much greater chance of doing well if they are engaged in the important issues. It's impossible

skills. Leaders focus tightly on some issues while delegating responsibility and following loosely on others. This individual autonomy is another characteristic of high-performing organizations.

As CEO, I chose where to invest my energy by focusing on where I could have the greatest impact on performance. By spending more than half my time in planning, I challenged division leaders to think through their plans and choose their best options. I also met their direct reports and communicated my priorities to them. These sessions became occasions of high impact and leverage. I was able to work not only with the dozens of people who reported to me but

Whatever issues are most significant, it's important to stay with them. It defeats politics in an organization. When a leader works hard and tenaciously on the most important issues, it sends a clear message to everyone. And that leaves no time for politics.

10. Have fun

If you're not having fun, you're in the wrong business or wrong career. If you don't enjoy it, it isn't likely that the people you lead and work with will enjoy it either.

Emerson experiences very low turnover in its management ranks, and a principal reason is that our people take pleasure in their work and are happy at the company.

Sometimes the fun originates in traditions meant to help us relax and put aside the daily pressures. For 30

people have asked me, because this process required hundreds of intense hours for each division. But

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years, we've run an annual golf tournament for our key customers called the Swat Fest. It's an elimination tournament played by some unusual rules that we make up as we go. People get eliminated for crazy, arbitrary reasons. Every year, the event produces a lot of laughs and some great stories. It's a great way for our people to bond with each other and with our customers.

it was fun, because I was with people who were committed to making something better.

More fundamentally, though, the fun comes from collaborating with people who want to do well and from winning. Maintaining our record streak of annual increases in earnings, earnings per share, and dividends per share was fun. It provided motivation and pride. There is a palpable feeling of excitement that arises when you work with smart and engaged people whose goals and commitment are the same as yours.

I've been asked how I was able to sit through 27 years of planning conferences for some component division. "How can you stand it?"

Charles F. Knight is chairman emeritus of Emerson. As CEO, he spearheaded Emerson's evolution from a primarily domestic producer to a technology-based global manufacturer. The company's record of increased earnings per share and increased dividends for each year of his term as CEO is among the longest for consistent performance in U.S. business history. He serves or has served on the boards of directors of a number of leading global companies, including Anheuser-Busch, Baxter International, BP, IBM, Morgan Stanley, and SBC Communications.

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