



CMC NEWS ANALYSIS AND FORECAST

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Invensys Sells Family Jewels

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The recent sale of Invensys' Flow Control business unit to Flowserve at a bargain price firmly establishes Flowserve as a leader in the control system business – if they wish to capitalize on the opportunity. Will Flowserve be able to use this purchase of the seven independent control valve manufacturers to firmly assert its true second place to Fisher in the control valve business, or will it just mean additional models in the Flowserve control valve line?

Acquisitions of control valve suppliers by BTR and Siebe in the 1990's were the core of the Invensys Flow Control business unit. Unfortunately, Invensys was never able to unify the multinational parts of this business unit into a single cohesive competitor, even though there were some leading companies in the unit. Ekhard Valve is one of the leading control valve suppliers in Europe, while Worcester Valve is a large supplier in the North American market. Taken together, the Invensys Flow Control business unit was either the number 2 or number 3 control valve supplier in the world. Combined with Flowserve's already large Valtek brand control valve business, they will emerge as the second largest control valve supplier in the world behind Fisher Valve Division of Emerson, but ahead of Masoneilan.

It seems that Invensys top management, and Siebe top management before that, did not understand the strategic importance of the process control valve business. This is the problem encountered when principle officers of a corporation are primarily money managers rather than steeped in the business itself. For the past twelve years, top management at Siebe/Invensys has not bothered to learn the

fundamentals of their own business, nor to hire/retain key individuals to design and build a product strategy. Unless top management knows the business of their *business*, they cannot turn around a failing enterprise. It's also clear that the present situation is not any better, but only interested in divesting the assets.

The best example of an outside top manager being able to turn around a failing business was when IBM hired Lou Gerstner from RJR Nabisco as president, CEO and Chairman. In a few short weeks, Mr. Gerstner was able to formulate a strategy for IBM taking advantage of their core capabilities and phasing out or spinning off the rest. What was his “secret”? He immediately surrounded himself with some of the brightest intellects in the world, most of whom were already working at IBM – and he *listened!*

Yes, this analysis is all about Fieldbus, as though that would be a surprise to anyone. Even more, it is about Field Control – the location of process control computations in field instruments and *process control valves*. Movement of control loops to control valve positioners has been slow, but is now a proven technology. Control system suppliers have generally supported this Fieldbus trend, but have deliberately slowed its pace to keep alive their cash cows, the DCS/PAS (Distributed Control System/Process Automation System.) The exception to this has been Emerson, which was able to use its low cost PAS together with control in its own Fisher control valves to gain very significant market share, displacing both Honeywell and Foxboro/Siebe/Invensys in many of the markets where Emerson previously had almost *no* market share before 1995.

What has been Emerson's secret? No secret, only business fundamentals:

- Have a sound strategic marketing plan
- Focus on the needs of the end user
- Design for low cost but high quality products and systems
- Outsource elements of systems where little or no value is added
- Execute the strategic plan using ethical tactics
- Stay conservative and avoid risk
- Contribute to industry standards of benefit to the user

In addition, Emerson has been led by an executive team that clearly understands their own market and focuses all of their energy on their ability to supply value to

the end user. As long ago as 1985, Rosemount (later acquired by Emerson) recognized the strategic value in the smart control valve. Fisher Controls was acquired for many reasons, but their strategic position as the leading control valve supplier was clearly understood by Emerson management. Rosemount, then the leading field sensor supplier, had started the Fieldbus standards effort specifically to enable control in field devices that needed two-way data communications. When Fieldbus began to lag, they introduced HART and soon released a Fisher control valve with field control and HART communications. The success of Emerson in the process control field has been a story of competent, energetic, resourceful, and intelligent management, with a sprinkle of great product design as well.

Management at Foxboro/Siebe/Invensys has been anything but strategic since the release of their I/A system. There have been many opportunities for synergy in their acquisitions, but each acquisition was treated as a profit/loss center without an incentive to contribute to corporate goals. Eventually, when profits did not emerge, these assets were simply divested.

Specifically in the control valve area, Invensys was never able to take their strategic marketing and development plan for field control using Foundation Fieldbus to market. This plan was developed by a small team composed of each process control valve unit and strategic thinkers from Invensys management fully knowledgeable about Foundation Fieldbus. That strategic plan was lost when its sponsors in top management were all removed. As a result, these crown jewels were cast out as well. The benefactor is Flowserve.

Will Flowserve be able to use the Invensys field control strategy? Do they even know about it? Or will the same forces that successfully suppressed field control continue at Flowserve?

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