





At C Level:
Jim Owens, CEO



By Tony Bingham
and Pat Galagan

LEARNING IS A POWERFUL TOOL

CATERPILLAR USES LEARNING TO DRIVE EMPLOYEE ENGAGEMENT, TALENT MANAGEMENT, AND SUCCESSION PLANNING.

Caterpillar Inc. is the world's leading manufacturer of construction and mining equipment, diesel and natural gas engines, and industrial gas turbines. If it digs, grades, hauls, dumps, or moves earth and it's yellow, it's probably a Cat.

Founded in California in 1925, the company soon moved its headquarters and main manufacturing operations to Peoria, Illinois, and today has nearly 300 manufacturing operations in 40 countries. Caterpillar sells products and services in almost every country of the world. More than 2 million Caterpillar machines and engines are at work in almost every country each day.

Caterpillar has weathered world wars and economic depressions and still come out on top. But the oil crisis and global recession of the early 1980s caused Cat to lose money for the first time in its history. Many of its competitors went out of business, but Caterpillar decided the time was right to invest in modernizing and automating its processes to recapture a leading position in its industry.



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In the early 1990s, the company made a major change from a centralized structure organized around functions to a company led by its business units. CEO Jim Owens calls it “one of the most profound and courageous decisions the company made.” Thousands of managers were expected to know their part of the business, to think in terms of profit and loss, and to make good business decisions.

For the past three years, Caterpillar has experienced explosive growth, more than doubling its size. It is in the process of increasing its service-related businesses with a goal of more than \$20 billion in revenue from services by 2010. That was the size of the entire company in 2002.

Cat is clearly a company that has never shied away from a learning challenge. When we talked with Owens recently, he told us, “Learning is essential to our aspiration to be a great company.”

Q. CATERPILLAR UNIVERSITY WAS FORMED IN 2001. WHAT WERE ITS GOALS AND HAS IT ACHIEVED THEM?

A. The history of Cat U’s formation is really very interesting. In 1998, a team in marketing studied how to become more customer-focused and grow the business. One of the findings of the study was the need for Caterpillar to become a learning organization throughout its value chain. Then in early 2000, a team of managers—representing a wide variety of functions, business units, and geographic areas throughout the company—came together for five months to learn more about the concept of a learning organization and how to implement that concept at Caterpillar. That team of managers recommended the formation of Cat U and identified a learning model that was based on three critical elements: a culture that supports learning, comprehensive knowledge sharing throughout the company and with our value chain partners, and the development of leadership that is very supportive of learning. The recommendation was accepted, and in January 2001, Caterpillar University opened its doors.

With the three elements of the learning model as a basis, the goals for the university fall into six broad categories:

- lifelong learning modeled by leaders
- learning that is clearly linked to business strategies and processes
- learning that is leveraged across the company and extended into the value chain where appropriate
- learning delivery that is timely, convenient, and cost-effective
- best practices and lessons learned that are shared across the company
- the creation and sustainability of an energized and engaged workforce.

Since 2001, we have made significant progress. We have a variety of very strong leadership programs in place and are actively using a leaders-as-teachers concept. Our enterprise and division learning plan processes help ensure that learning is well-aligned with our strategy. We have several common global programs in place, and with the help of our global purchasing function, we have been able to develop a variety of supplier partners and take advantage of leveraged buying.

In addition, we have an upgraded learning management system and make extensive use of web-based training and virtual classrooms. And we have an award-winning and patented knowledge-sharing tool.

While we have achieved a lot, we still have more to do. An area that I'm especially interested in is the engagement of our workforce. In 2007, we had the opportunity to expand Caterpillar University to include not only learning, but also engagement, talent management, and succession planning. While learning is still a key component, Caterpillar University is now very well positioned to have even greater impact on creating and sustaining an energized and engaged workforce. It's exciting to think about what we can accomplish now that we couldn't before.

Learning at Caterpillar is a powerful tool, not just for improving job skills, but also for attracting, retaining, and engaging employees over the long term. For several years we have had an enterprise learning plan; with the expanded Caterpillar University we can now consider the potential of an enterprise people plan.

Q. YOU SERVE AS CHAIR OF THE GROUP THAT REVIEWS PLANS FOR LEARNING AT THE ENTERPRISE LEVEL. WHY HAVE YOU CHOSEN TO GIVE YOUR TIME TO THIS?

A We can't achieve Caterpillar's Vision 2020—a set of goals for the year 2020 that focuses on what the company wants and needs to do in the next five to 15 years to achieve those goals—without our people. In fact, people are so important to us that I own the enterprise Critical Success Factor for People.

Ensuring that Caterpillar has the talented, knowledgeable, and engaged people required to produce the world's best machines, engines, and services is a never-ending job. Almost all jobs today—regardless of industry—require more and different skills than the jobs of yesterday. We must make sure that our employees have the knowledge and skills to succeed in the 21st century workforce.

We invest close to \$100 million a year in employee education. We felt that we should be prioritizing and focusing the money we spend on learning in exactly the same way we do with capital programs or product programs. And as the chairman, one of the things I do is to keep an eye on the investment in people development so that our business units don't radically underinvest when they are in an austere mood.

Q. HOW DO YOU DECIDE THE RIGHT LEVEL OF INVESTMENT FOR LEARNING?

A The key is to look at the kind of strategic initiatives you are trying to drive and to ask what kind of learning will prepare people to put those initiatives in place. Chris Glynn, our chief learning officer, makes sure all the priorities are fully covered. We review the proposed expenditure that he compiles from all the business units. We want to balance our

strategic long- and short-term goals and the tradeoffs among product and capital programs. We just want to be sure that human capital has an equal seat at the table.

Q. YOU FREQUENTLY SAY THAT PEOPLE ARE CATERPILLAR'S COMPETITIVE ADVANTAGE. WHERE AND HOW HAVE YOU SEEN THIS ADVANTAGE DEMONSTRATED?

A. We see it every day in many, many ways. Who is responsible for designing and building our ACERT engine technology? Our people. Who has built our highly successful logistics business? Our people. Who has opened new markets for us throughout the globe? Our people.

Our people are an asset that does not depreciate over time. In fact, it is just the opposite—as our people grow, our business grows. No great company gets there on the strength of a handful of leaders. It gets there by creating a cast of thousands of employees who enthusiastically help drive the enterprise to a leadership position.

Q. WHAT ARE YOUR THOUGHTS ON EMPLOYEE ENGAGEMENT AND ITS IMPACT ON ORGANIZATIONAL SUCCESS? WHAT'S THE CONNECTION BETWEEN LEARNING AND ENGAGEMENT?

A. Engagement is critical to the success of an organization. Being engaged means more than showing up every day—it means having a passion for excellence in what we do and a desire to build a great team. As in any competitive arena, a great team wins and a divided team loses.

Through learning, our employees build the knowledge and skills needed for their current and future jobs. But just acquiring knowledge and skills is not sufficient. What people learn must be applied back in the workplace. This is where employee engagement kicks in. An engaged employee has the desire, motivation, and even the compulsion to help the company grow and to give the discretionary effort needed to improve his own performance, a team's performance, and ultimately the company's performance.

We've been studying the tie between learning and engagement based on several years of employee opinion survey data. Results to date show a strong correlation—divisions with high engagement scores on our annual employee opinion survey also have high scores on questions related to learning and development. There's still much more to learn, however, so we're actively studying the connection, documenting best practices, and sharing what we're learning.

Q. THE COMPANY HAS A GOAL OF GROWING FROM \$42 BILLION TO MORE THAN \$50 BILLION IN REVENUE BY 2010. HOW WILL LEARNING SUPPORT THIS GROWTH?

A. Great performance and profitability go hand in hand with continuous learning. To stay on top of our industry, we must be “in the know” every day. Caterpillar University and the larger learning community throughout the enterprise help us do that. As I mentioned before, we spend more than \$100 million enterprise-wide on learning because it’s a key element in staying competitive.

Through our intranet portal, our employees can access their individual learning plans that contain enterprise-focused learning, business unit-focused learning, learning tied to job roles, and discretionary learning such as participation in conferences, books to read, or classes needed for personal development.

Dozens of curriculums are offered across a wide range of disciplines. In addition to traditional classroom-based training, more than 3,000 web-based training titles are available in a variety of languages to support our global workforce. For United States-based employees (on all payrolls), we have a tuition assistance program that encourages them to pursue undergraduate and graduate degrees. Our knowledge network has 4,000 communities of practice and 50,000 unique users. Our use of virtual classroom technology has increased by 100 percent per year over the last three years.

It’s also important to note that we are strongly interested not only in learning for our employees, but in learning for our dealer employees as well. Caterpillar has a unique people-development partnership with our dealers. Whether it’s training for service technicians or a sales-effectiveness curriculum deployed through the dealer learning management system, dealer training success is instrumental in achieving our goals. Bottom line, learning is a priority at Caterpillar. Employees who recognize the value and continuously grow their knowledge will succeed and, as a result, Caterpillar will continue to grow profitably.

Q. MANY COMPANIES FOCUS THE MAJORITY OF THEIR LEARNING EXPENDITURES ON MANAGERS AND LEADERS BUT CATERPILLAR ALSO INVESTS IN THE DEVELOPMENT OF PRODUCTION EMPLOYEES. WHAT IS THE STRATEGIC ADVANTAGE OF THAT APPROACH?

A. To meet our growth targets we need the hearts, hands, and minds of all our employees, not simply a single band. Further, many of today’s leaders began their Caterpillar careers as production employees. I would venture to say that many of tomorrow’s Caterpillar leaders are even now working in the heat treat facility where thermal treatments modify the properties of metals and metal alloys or on an assembly line.

In addition, the products being manufactured today and the equipment being used to manufacture them are more sophisticated than ever. Our products at Caterpillar represent the very latest and best in technology and automation. Our 950 wheel loader, for example, has more computer power than the Apollo 11 Moonshot! That’s why it’s critical that the people who build, service, and

maintain our equipment have good working knowledge of computer science, engineering, and math.

We are in the middle of deploying an enterprise-wide effort called the Caterpillar Production System. CPS encompasses our entire order-to-delivery space and will transform our manufacturing systems and help set a gold standard for safety, quality, and velocity in the industry. Employee training is a critical part of the deployment and sustainability of CPS. About 45,000 employees, from shop floor employees to our senior leaders, are learning the principles of CPS and the standardized skills needed to do their jobs.

Everyone, regardless of payroll, has the opportunity to expand their knowledge base and grow with the company.

Q. CATERPILLAR HAS NOT FOLLOWED SOME OF ITS COMPETITORS INTO DECLINE. INSTEAD ITS PROFITS AND REVENUE HAVE BEEN GROWING, EMPLOYMENT HAS BEEN GROWING, THERE HAVE BEEN NO PLANT CLOSINGS, AND THERE IS A WAITING LIST FOR SOME PRODUCTS. WHAT PART DID EMPLOYEE DEVELOPMENT PLAY IN THIS?

A. Developing our employees is a vital element in our growth as a company. We provide opportunities to work in many different geographic regions and in many different areas of the company. It's common to hear people say that they have had three or four "careers" without ever leaving the company. Caterpillar has always advised employees to acquire experiences, not salary grades. We encourage people to seek out opportunities both at corporate and in a business unit, in the factory, and in a service center—to move from accounting to marketing to human resources. We believe a range of cross-functional and geographical experiences makes for better employees and, ultimately, better leaders.

Our enterprise succession-planning process puts a formal structure around that philosophy. Its foundation is the employee datasheet, which is designed to help people at all levels manage their careers. Each employee maintains an online internal résumé documenting accomplishments, strengths, interests, and career aspirations.

During an annual update process, supervisors add their recommendations and assess employee potential. Hiring managers use the datasheets throughout the year to identify qualified candidates for open positions. And career progression tools help employees identify logical next steps and experiences to advance their careers. Formal succession-planning groups also meet regularly to discuss open positions and career opportunities.

We're aiming to get the right people in the right jobs at the right times.

Q. SOME CATERPILLAR EQUIPMENT CAN BE ORDERED WITH SATELLITE NAVIGATION ON BOARD TO GUIDE PRECISION GRADING, PLOWING, AND PLANTING. YOUR NEW ENGINE TECHNOLOGY WINS PRAISE FOR BEING BOTH EFFICIENT AND CONTROLLING EMISSIONS. THESE AND OTHER TECHNOLOGY-RELATED CHANGES REQUIRE NEW SKILLS FOR THE PEOPLE WHO DESIGN, MANUFACTURE, SELL, AND MAINTAIN THE EQUIPMENT. HOW DOES CATERPILLAR MAKE SURE ITS WORKFORCE HAS THE SKILLS NEEDED FOR THE FUTURE?

A. At an early stage we accepted the challenge of staying ahead of the change curve. It begins with alignment and making sure that each employee can see the connection between day-to-day work and the future—the strategic direction of the enterprise. Those of us who are leaders play a critical role in creating and sustaining an environment where everyone wants to have a hand in creating the future and is willing to give the discretionary effort needed to get us there.

When we rolled out Vision 2020 in late 2005, we did so using a very carefully orchestrated and rapidly deployed process that involved all levels of leaders as teachers. Our goal was to reach all of our employees (who numbered about 85,000 at the time) as close to simultaneously as possible, enabling us to face the future together. We continue to use the leaders-as-teachers concept. What better way to clearly demonstrate that leaders support learning?

Also, we essentially engage in continuous needs assessment—formalized in learning plans at the individual level, the division level, and the enterprise level. The plans at all three levels are driven by the strategic goals of the business. Each year, we review and update the enterprise and division plans making adjustments as needed to keep us on course. **T+D**

Jim Owens was interviewed by Tony Bingham, president and CEO of ASTD, and Pat Galagan, executive editor, ASTD; pgalagan@astd.org.

WHAT DO YOU THINK?

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