



Cat Financial's Journey to Business Excellence



Gary Carson
Continuous Improvement
Consultant

Cat Financial finances ...

- Construction Equipment
- Marine Vessels
- Diesel Engines - Power Generation



Cat Financial is a captive finance company

Transactions vary from \$20,000 of value to \$50 million

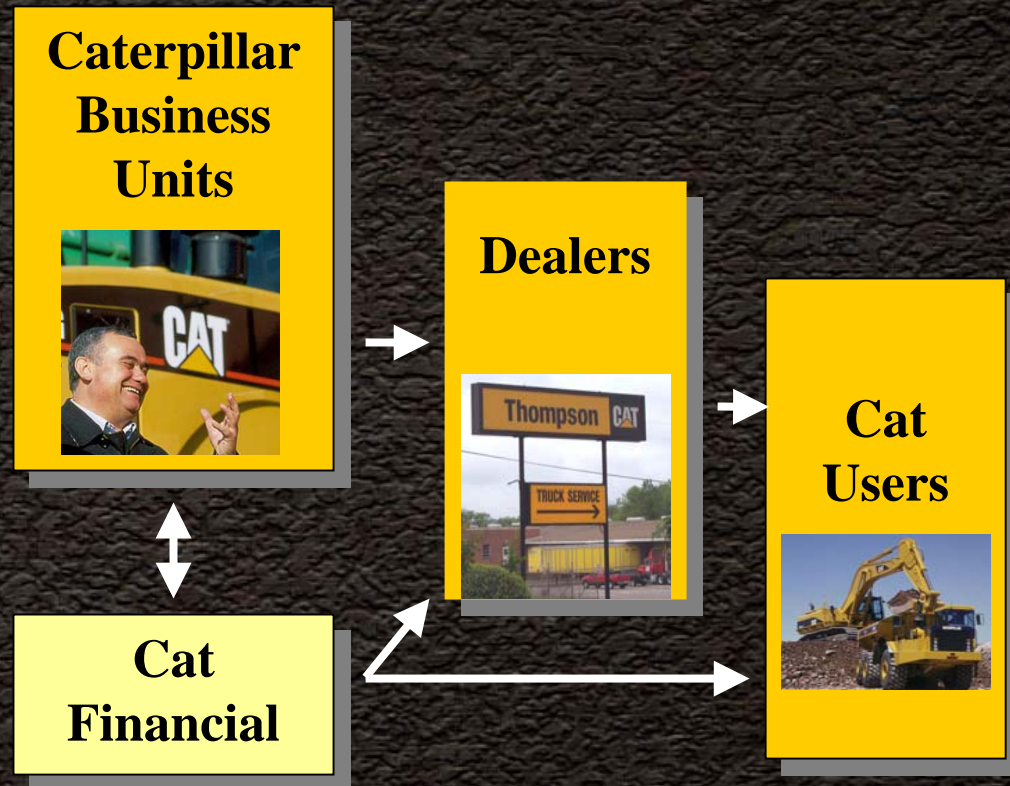


Who we are...

- Subsidiary of Caterpillar
- HQ: Nashville, TN
- \$24B assets, 1,500 employees
- 2nd largest equipment lender

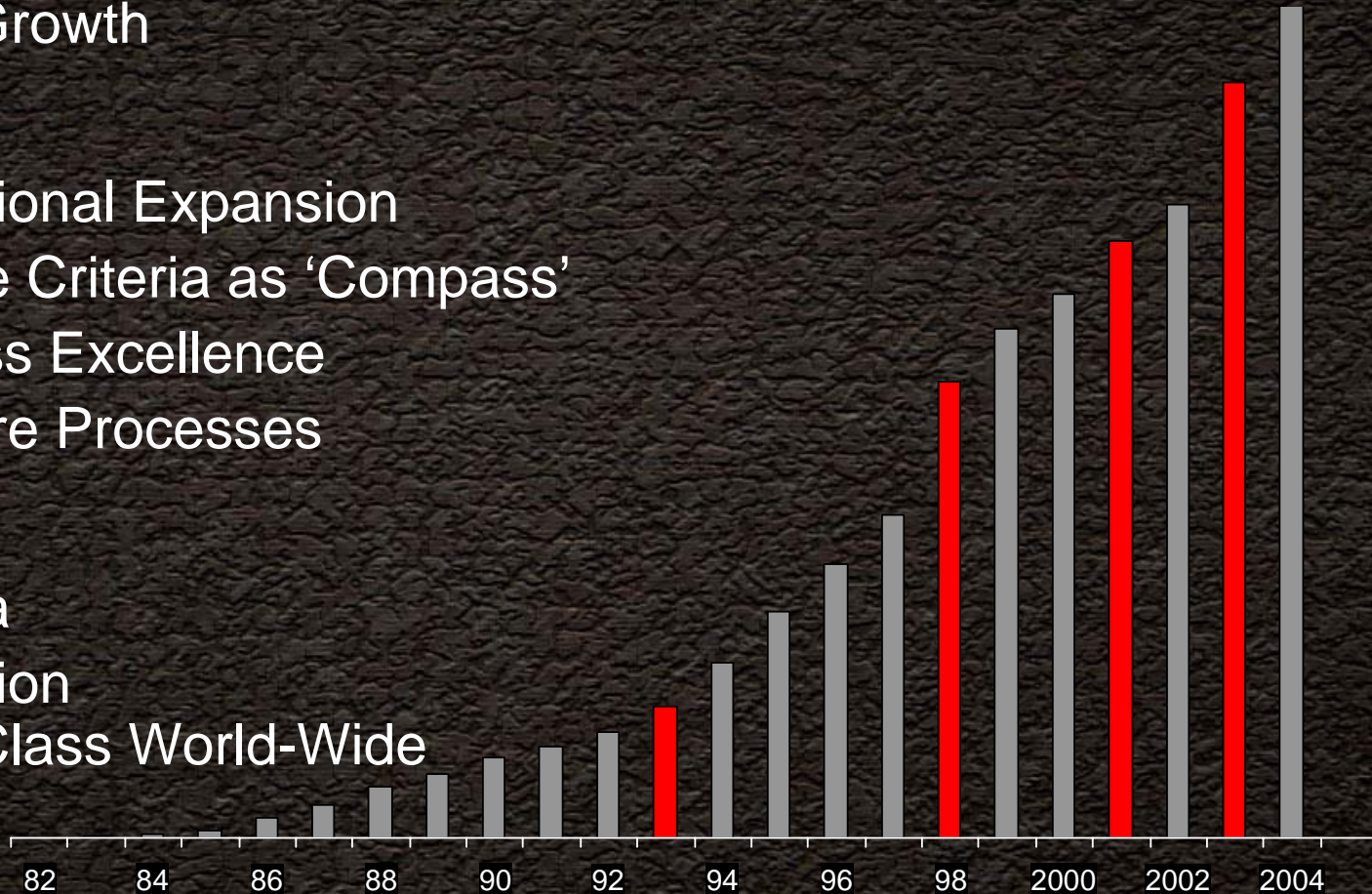
Who we serve...

- Users
- Dealers
- Caterpillar Business Units



Milestones

- 80's:
 - Rapid Growth
- 90's:
 - International Expansion
 - Baldrige Criteria as 'Compass'
 - Business Excellence
 - Key Core Processes
- 2000's:
 - 6 Sigma
 - Integration
 - World-Class World-Wide



Our process...

Business Excellence

What we
will be

What we
will do

What we
must
achieve



How we
improve

What we believe



Mission: What we will do

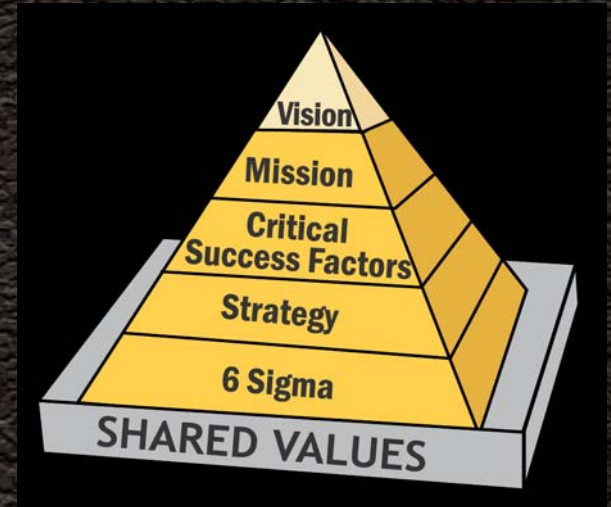
Helping Caterpillar and our customers succeed through financial service excellence.



Vision: What We Will Be

We will be a significant reason customers select Caterpillar worldwide.

We will leverage our intellectual capital to deliver customer-driven solutions and enhance shareholder value.



We will grow on our strong foundation as a caring and learning organization.



Shared Values : What We Believe

We are people of *integrity* who *respect* and *care for others* in our workplace and our world.

We are *driven* by the *freedom* and *responsibility* to *exceed expectations* of those we work with and serve.

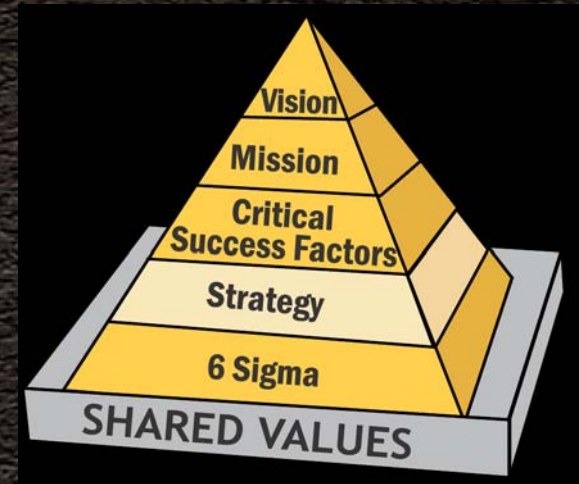


Critical Success Factors: What We Must Achieve

- Customer Satisfaction
- Employee Satisfaction
- Growth
- Leadership
- Reliable Returns
- World-Class Core Processes



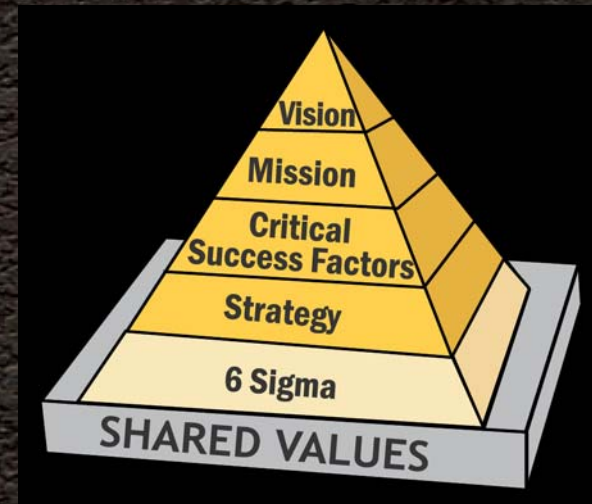
Strategy: What We Must Achieve



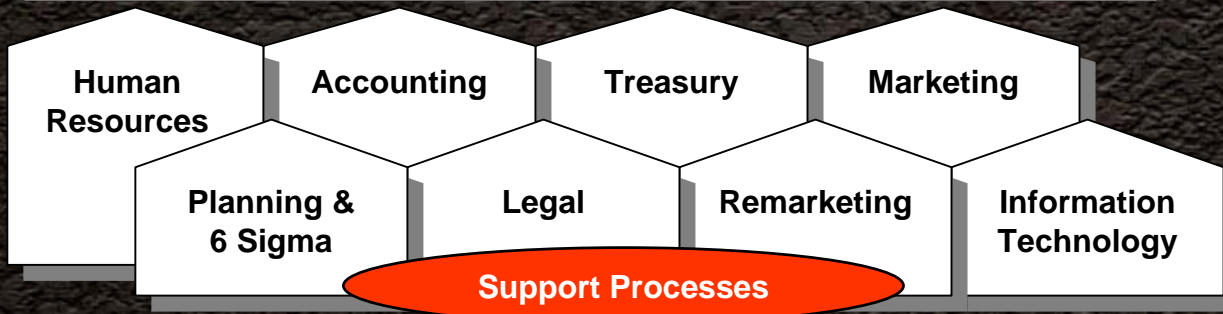
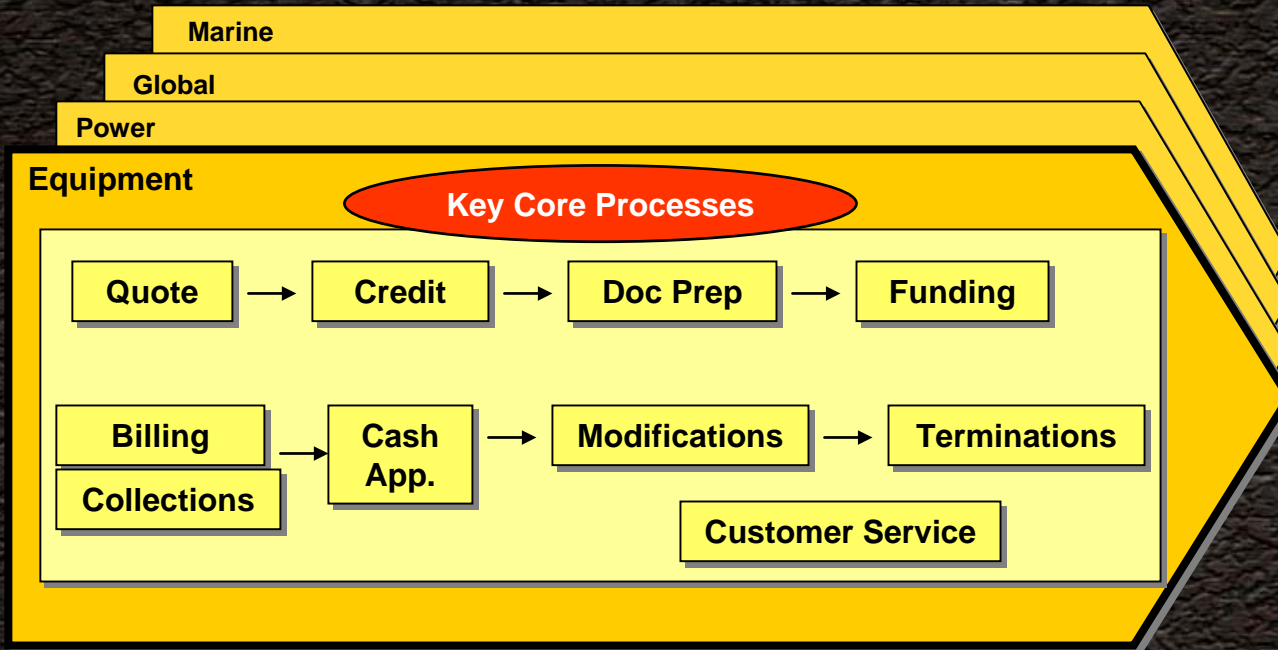
Aligned by CSF

6 Sigma: How We Improve

- Process improvement
- New process design
- Project management



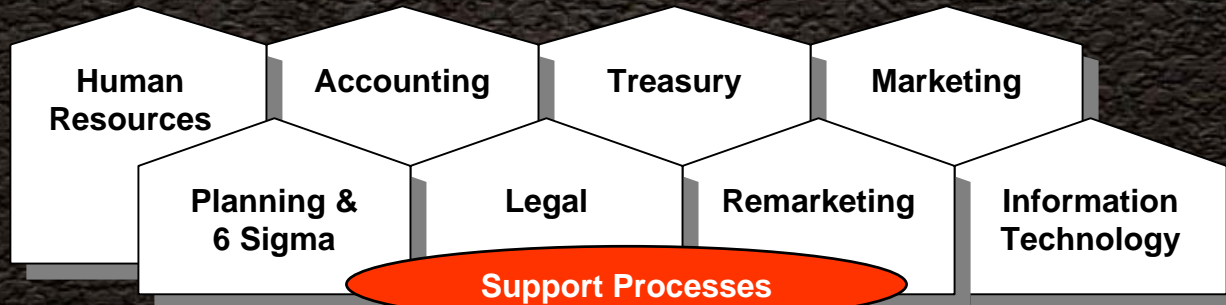
Our process... Process Management



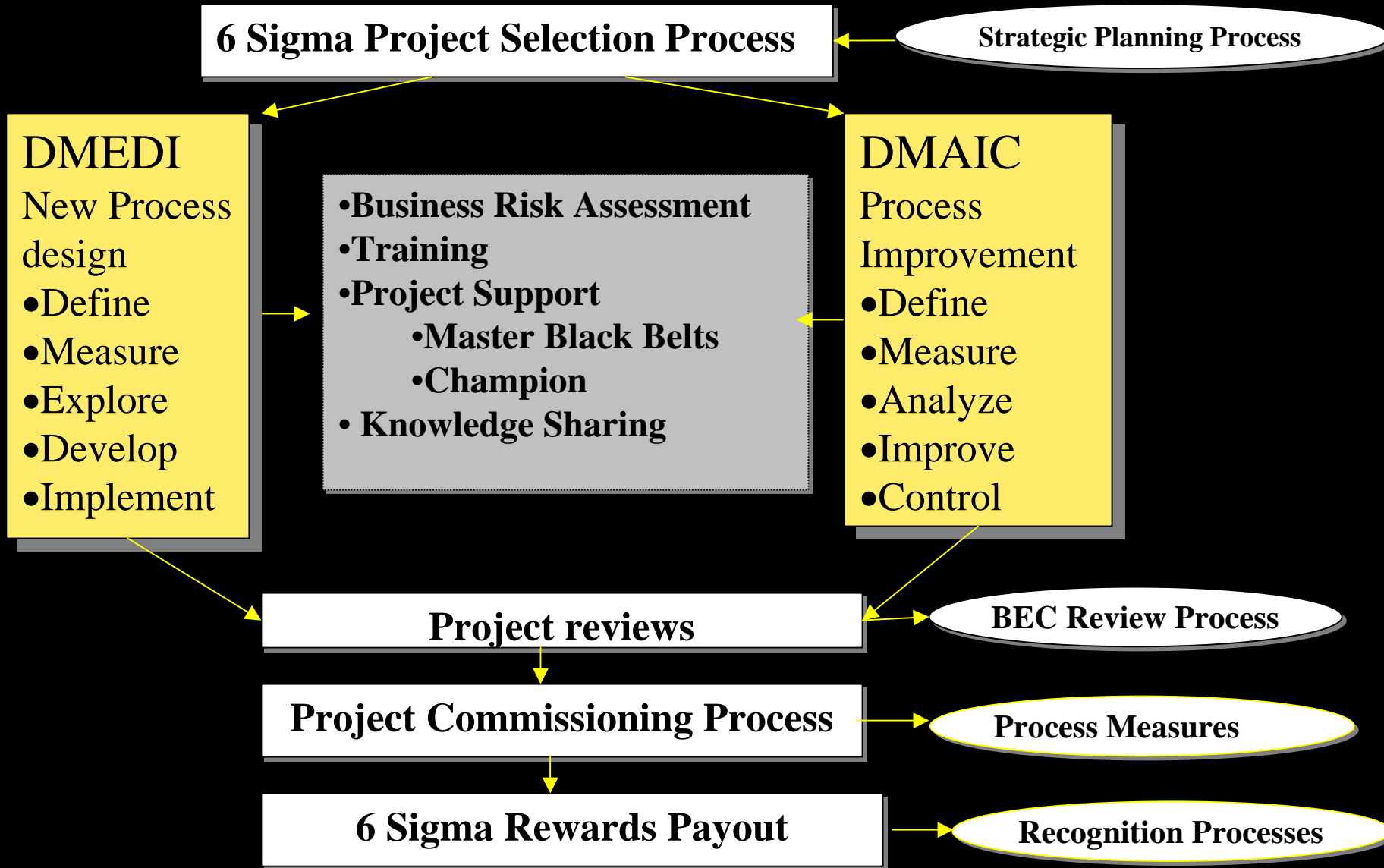
Our process ...

Support Process Management

- Business and Support Processes
 - Enable the Divisions to meet customer needs
 - Provide the infrastructure necessary to accomplish Business Excellence
- Over 100 Support Processes have been identified
 - Performance against internal customer requirements is measured and continuously improved.



An Integrated and Aligned System



Our process ...

Deployment and Infrastructure

- Training
- Daily Support from Master Black Belts and Black Belts
- Project selection process tied into Strategic Planning
- e-tracker and best practices replication methods
- Size tools to the job – Tapestry
- Rewards and Recognition



Key to Success – Integrate and Align

- The key to success is how we integrate and deploy 6 Sigma with Consistency, Clarity, and Commitment
- Key Core Processes made it easier to deploy
- Process Health reviewed at Business Excellence Council
- Baldrige and 6 Sigma mutually reinforce



Our process...

Process Certification

A standardized method to document and communicate the maturity level of core and support processes

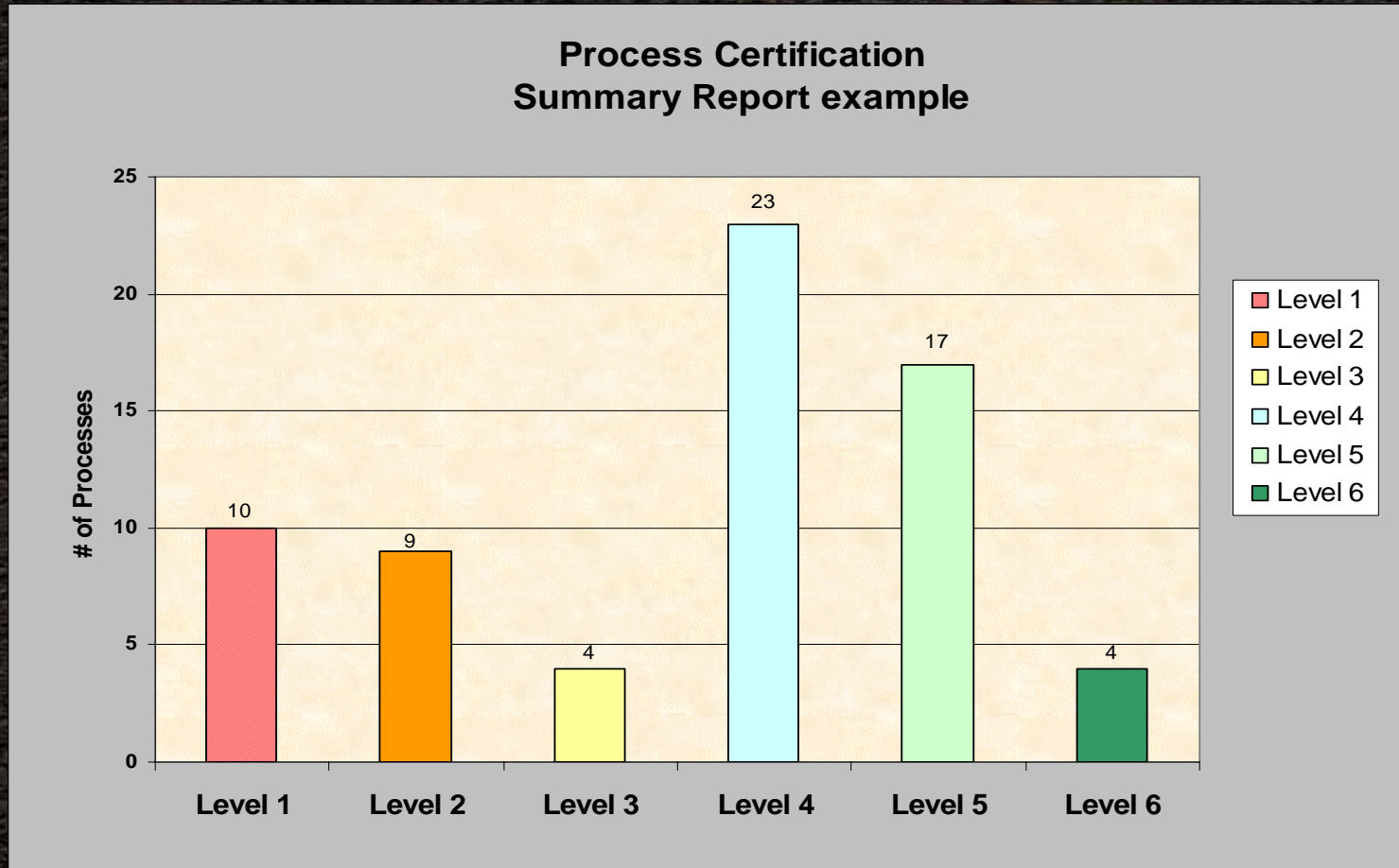
Certification Criteria

- | | |
|---|-----------------|
| • Process identified | Value 1 |
| • Process mapped | Value 2 |
| • Customers/Partners/Suppliers agree with long term goal and key metrics | Value 3 |
| • Success with demonstrable progress in achieving goal | Value 4 |
| • Fully Achieving customer requirements | Value 5* |
| • World class vs. benchmark | Value 6 |



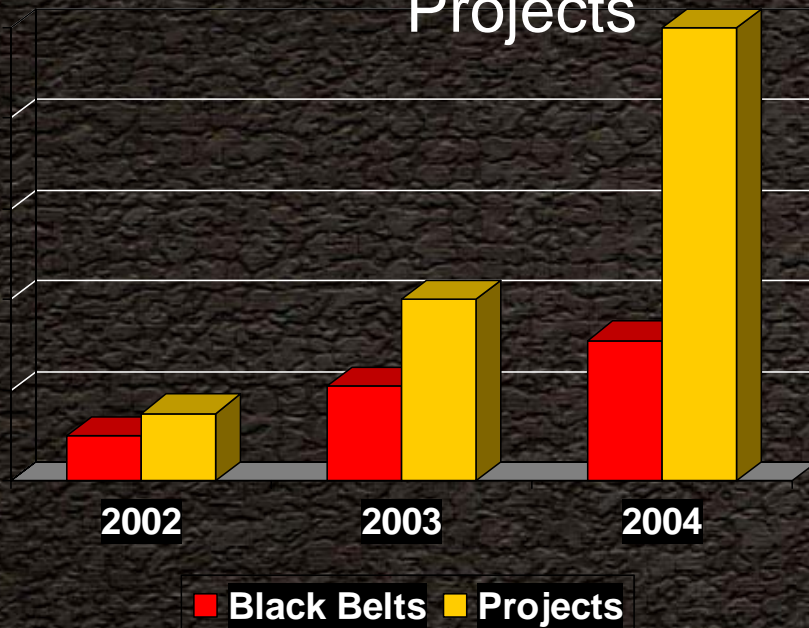
Our process...

Process Certification - Reporting

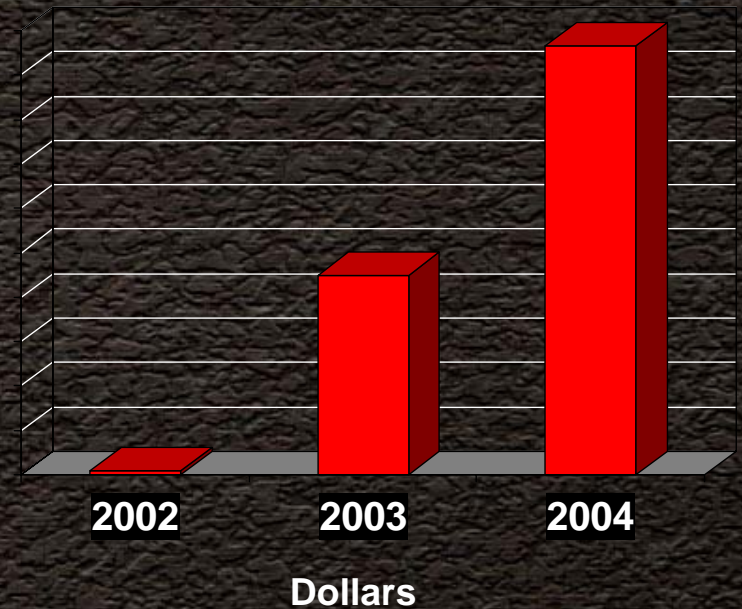


Our Results ...

Black Belt / Projects



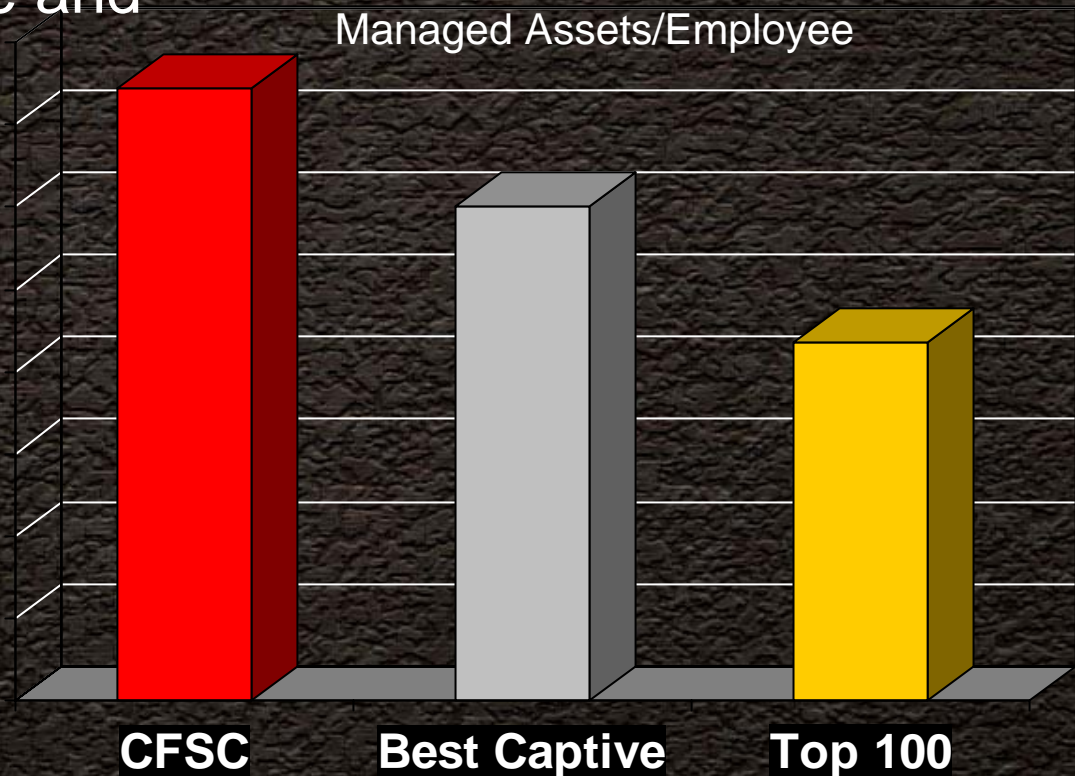
Benefits



Our results ...

Process Efficiencies

Process design improves customer experience and increases efficiency

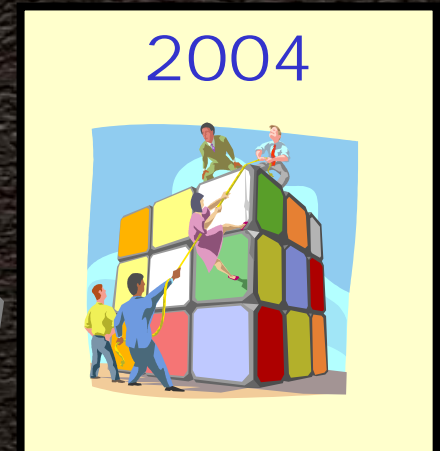


Our 6 Sigma Journey Continues!!

- 40 Active Projects at one time
- First DMEDI Project
- Tapestry Concept

- 100 Active Projects
- Improve/expand BB Training
- Tapestry Globalization
- Merge Strategic Planning and 6 Sigma

- 150 Active Projects
- Improve/expand Intranet Site



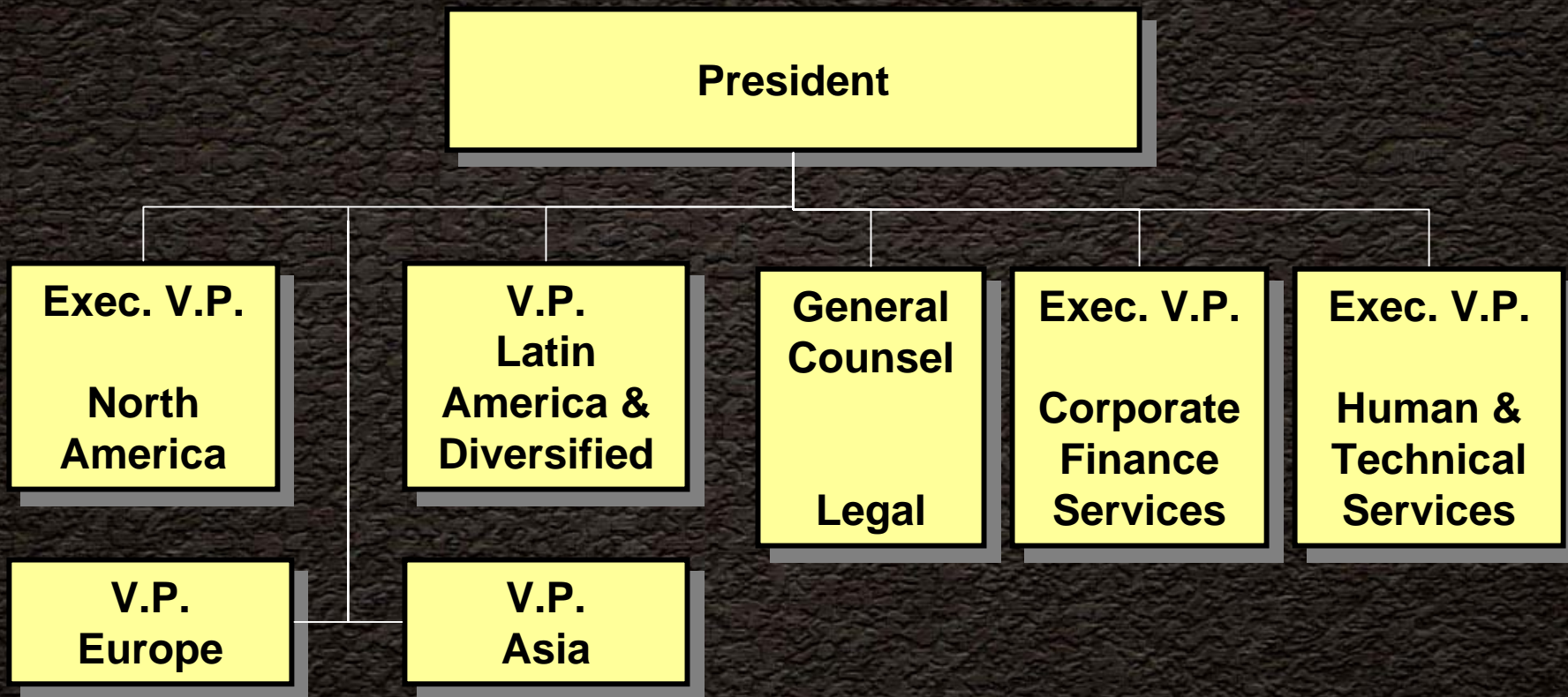
Our results...

Top Tier Measures

| Critical Success Factors | Top-Tier Measures |
|----------------------------|--|
| Customer Satisfaction | User, Dealer, Cat Business Unit Satisfaction Indices |
| Employee Satisfaction | Employee Satisfaction Index |
| Growth | Percent of Dealer Deliveries, Managed Assets |
| Leadership | Leadership Index |
| Reliable Returns | ROA/ROE, Profit |
| World-Class Core Processes | Operating Expense Ratio |



Business Excellence Council (BEC)



Our process ...

Integrated Measurement Architecture

6 CSFs

11
Top-Tier
Measures

39 Health Measures

- Customer Health
- Employee Health
- Financial Health
- Leadership Health
- Portfolio Health
- **Process Health**
- Technology Health

Process & Operational
Measures

Reviewed monthly by
senior leadership



Our process

Monthly BEC meetings

Day 1: Manage the Business

| CRITICAL SUCCESS FACTORS | TOP-TIER MEASURES | HEALTH |
|----------------------------|--|-------------------------------------|
| Customer Satisfaction | User, Dealer, Cat Business Unit Satisfaction Indices | Customer Health |
| Employee Satisfaction | Employee Satisfaction Index | Employee Health |
| Growth | Percent of Dealer Deliveries, Managed Assets | Financial Health |
| Leadership | Leadership Index | Leadership Health |
| Reliable Returns | ROA/ROE, Profit | Portfolio Health |
| World-class Core Processes | Operating Expense Ratio | Process Health Technology Health |



Our process

Monthly BEC meetings

Day 2: Manage the Strategy

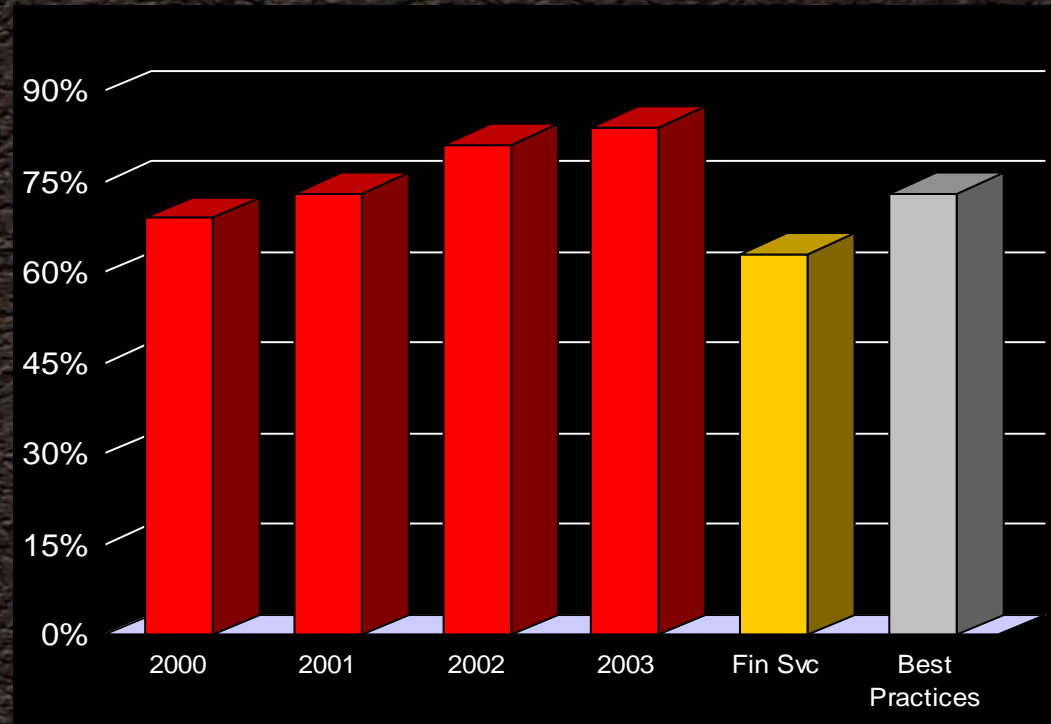
- Division/Department Review
- Strategic Initiatives
- Succession Planning



Our results...

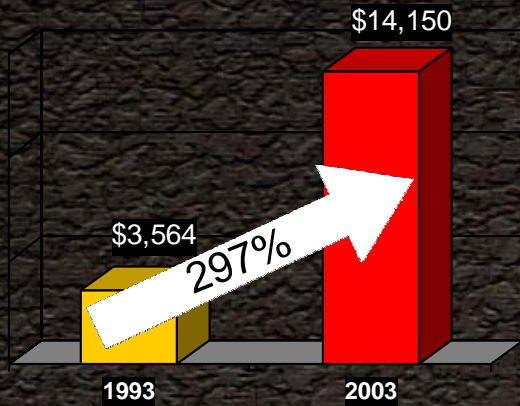
Leadership Health

- Baldrige Feedback
- Leadership Index
 - Ethics
 - Values
 - Employee Involvement
 - Training
 - Quality Emphasis
 - Direction
 - Information / Knowledge
 - Overall Satisfaction
- Individual 360° Reviews

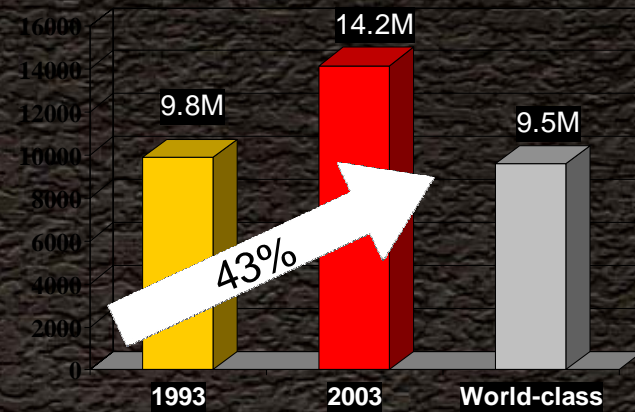


Our results ...

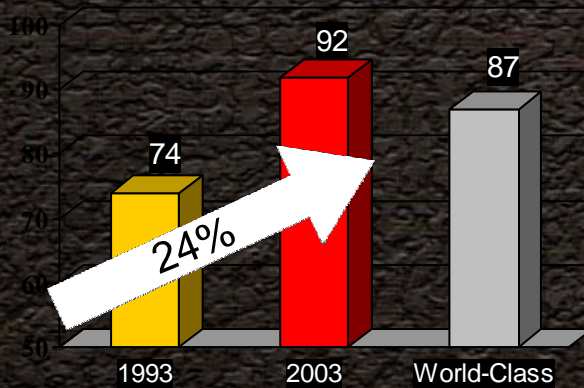
Our Journey to Business Excellence



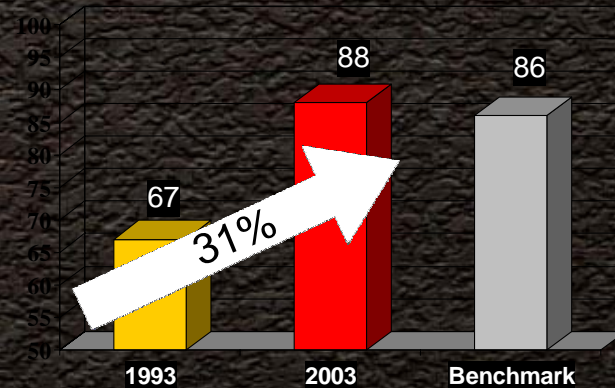
Managed Assets



Efficiency



Customer Satisfaction

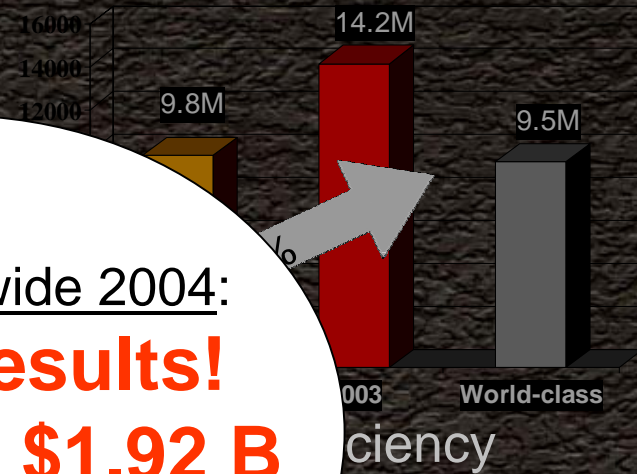
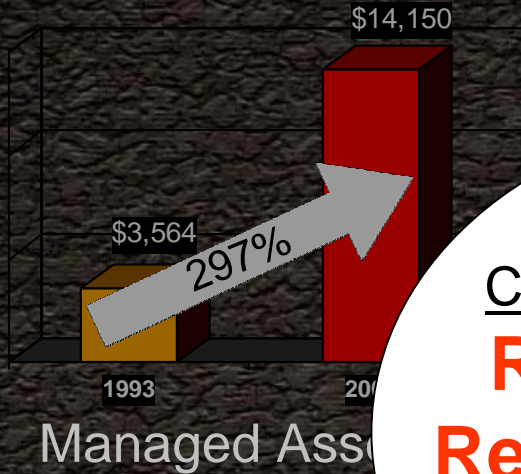


Employee Satisfaction

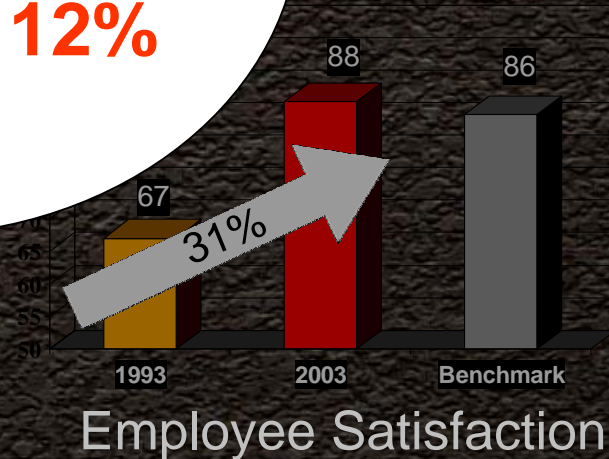


Our results ...

Our Journey to Business Excellence



CFSC Worldwide 2004:
Record results!
Revenues: \$1.92 B
Profit: up 12%



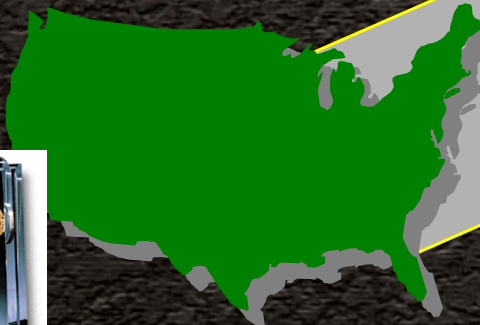
Our Journey to Global Business Excellence continues...



UNISON
The Way to Global Business Excellence

Business
Transformation

6 SIGMA



Worldwide Self -Assessment Tool developed

| | Global/ Local | Link | Current Status | Rating | |
|---|------------------|------|-------------------|--------|---|
| | | | | A | D |
| Building Relationships With Users And Dealers | | | | | |
| 32. Our Territory Managers (TMs) use a variety of approaches to build relationships with Dealers and Users: | G | | | | |
| 33. TM's use Life-of-the-Deal and other training to educate Dealer reps. | G | | | | |
| 34. We invite our Dealers to visit our office (and other FPD locations) in order to build relationships with our staff and enable staff to learn about Dealer requirements and expectations first-hand. | L | | | | |
| 35. We assign staff to certain Dealers or User segments to build relationships and better understand their needs and preferences. | L | | | | |
| 36. We actively support and participate in Dealer Association meetings to build relationships and better understand their preferences. | G | | | | |
| 37. We have staff employees visit dealers and users to build relationships and better understand their preferences. | L | | | | |
| 38. We use the Relationship Review Process to systematically target and review our relationship with the 100 top Users in each TM Territory. | L | | | | |
| 39. We report key Dealer and User activity in the Weekly 39Report so others in FPD can better understand activities in our market. | G | | | | |
| 40. We invite Dealers and Users to special events including car races, golf outings, dealer incentive trips, etc. to build loyalty and better understand their preferences. | L | | | | |
| 41. We participate in local trade shows for the opportunity to meet with customers face-to-face and learn about changes in the local market. | L | | | | |
| 42. We use other approaches to build relationships with Dealers and Users. (describe). | L | | | | |
| Strengths | | | OFIs | | |

Proprietary Information

- > 300 questions, 69 Items
- Global & Local processes
- Coordinated by local Black Belt
- MD review and participate in all discussions



Why bother?

Baldrige turbocharges Business Excellence

- Gets us to where we want to go, faster
- Assesses against world-class standards, not our own history
- Motivates employees to a challenging goal
- Institutionalizes a customer-focused, fact-based, high-standards culture
- Provides specific and relevant 3rd party feedback
- Improvement drives business results



Lessons Learned on the Journey

- Leadership commitment is essential
- Do few things, highly integrated, fully deployed
- Deploy with Clarity, Consistency, Commitment
- 6 Sigma and Baldrige mutually reinforcing
- Communicate and celebrate endlessly



Lessons Learned on the Journey

- “Our Process is...” “Our Results are...”
- Feedback Report is invaluable
- Measure – develop an appetite for comparative data and keep looking for benchmarks
- Leadership is a process just like any other. It must be measured, evaluated, and systematically improved.



#1 Lesson

- Apply
 - Measures your progress
 - Establishes a goal
 - Disciplines assessment
 - Provides invaluable 3rd party feedback
- Use the state awards program



Our Journey to Business Excellence continues...

“We chose to do these things not because they are easy, but because they are hard.

Because this challenge organizes and measures the best of our skills and abilities.”-JFK



For More Information on Cat Financial's Business Excellence Journey...

Contact: Gary Carson,
Continuous Improvement Consultant
gary.carson@cat.com
(615) 341-8209

