

Caterpillar company : hr and corporate strategy



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Corporate strategy Caterpillar Inc had started in 1925 with the merger of Holt Manufacturing Company of Stockton, California and the C. L. Best Gas Traction Company of San Leandro, California. It operates in three main lines of business – machinery, engines and financial products (Modern Graham, 2009). In the machinery and engines sector it has further diversified into designing, manufacturing, marketing and sales. As a part of its brand extension strategy, Caterpillar jumped from engines and heavy machinery to high street fashion. Because of their brand reputation, they extended into retail. They are now planning to open lifestyle stores. Their clothing range has been rated 66th in Interbrands Best Global Brands Survey (Rigby, 2009). Hence, the financial and the retail sector are unrelated to the core business of Caterpillar. Despite its diversification, there is total alignment with the corporate strategy, as the organization has set out an identity, strategy and implementation for its brand (Strategic Direction, 2007).

Caterpillar's expansion has been through a mix of organic growth, joint ventures and acquisitions (Wei & Min, 2008). They have made acquisitions across continents and different nations including China, Brazil, India, Canada, Australia, the UK and Singapore. At the same time, their manufacturing unit, is their fastest-growing unit (Arndt, 1005), which suggests organic growth. To offset the slowdown, they make acquisitions as in China. Because of its worldwide expansion, Caterpillar is able to focus on strong revenue growth in Asia and the emerging markets, which allows the company to offset weaker business in America. Thus, its long-term corporate strategy allows it to benefit because of its geo-political locations and use a mix of organic growth and growth through acquisitions.

HR Strategy

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Caterpillar has a team of 200, 000 people round the world which includes its employees, dealer employees and suppliers (Cat. com). Caterpillar has strong leadership which is due to its career development programs. Their corporate values are the cornerstone of their success.

The labor relations at Caterpillar are strained and their employees are affiliated to United Automobile, Aerospace and Agricultural Implement Workers of America (UAW). Even in 1948, the company had negotiations of collective bargaining agreement between Caterpillar and the UAW (Martin & Scogland, 2008). The UAW engages in multi-plant bargaining or ' central bargaining' on behalf of the employees, to arrive at a Central labor Agreement, related local agreements and benefits agreements. UAW has charged Caterpillar with breaches of agreement between 1998 and 2004. The Employee Free Choice Act (EFCA) allows the workers and the labor organizers to form a union which makes sick leave mandatory and allows for protection of new workers (Orey et al., 2008). Their labor union strikes have mostly occurred during downturn. Three major labor disputes have embittered the employees (Taylor, 2007).

Despite this, Caterpillar, in 2005, it revamped its pay structure and started a two-tier arrangement. The hires were taken in at a much lower rate than those hired just a few months ago and were asked to work alongside with them (Hansen, 2005). The health-care benefits were also lower. The purpose of this two-tier strategy was to phase out the high wages and cut its labor costs in half. The company believes in employee engagement and motivation which has helped the company to achieve turnaround (Saposnick, 2004). They recognize that managing for performance requires good communication.

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