

The first step in strategic management process – vision and mission essay sample

[Business](#), [Company](#)



Strategic Management is the process of decision making that helps ensure the organization's internal capability is in alignment with the opportunities and threats it faces in its environment. When planned and implemented properly, strategic management can establish critical direction and guides the allocation of resources to achieve long-term organizational objectives.

Before an organization can focus on the strategic management of its objectives, there must be a vision and mission. According to David, a vision statement directs the association toward future goal or achievement in the long term and provides the foundation for developing a mission statement. An organization's mission is referred to its reasons for existence, and reflects the organization's basic purpose as a supplier of goods and/or services (David, 2009, p. 83). It guides current, critical and strategic decision making. The mission statement is a crucial element in the strategic management of a business organization. It serves as a building block for the development of more specific functional strategies.

The purpose of the paper is to examine how Caterpillar translates its mission statement into performance objectives and makes its strategies and operations remain consistent with the mission statement.

Background Caterpillar Inc. is the world's leading manufacturer of construction and mining equipment, diesel and natural gas engines and industrial gas turbines. The company prides itself on its innovative technology and diversification in products and services such as construction, mining, transportation, forestry, energy, logistics, electronics, financing and electric power generation.

Ranking 50 of Fortune 500 this year, Caterpillar recently reported revenues exceeding 44.9 billion dollars (CNN Money, 2008). It is a U. S. based competitor with more than \$30 billion in assets. Its state-of-the-art technology and diversification in products and services enabled the company to dominate the industry for more than fifty years.

Caterpillar's Vision & Mission Caterpillar has both a vision and a mission to guide their company. The vision reads, " Be the global leader in customer value". This basic statement drives the four different aspects of the mission and the company as a whole. It demonstrates a strong concern for survival and growth with a forward-looking vision to the future. Also, it expresses the philosophy of the company as they strive to be the best in the industry.

To start with, Caterpillar addresses its concern for customers in the first section of the mission statement: " Caterpillar will be the leader in providing the best value in machines, engines and support services for customers dedicated to building the world's infrastructure and developing and transporting its resources. We provide the best value to customers." (Cat) As this section states, Caterpillar believes in supporting the customer through all aspects of its operations. This section also addresses Caterpillar's philosophy in their products and services by providing the best value to their customers.

Caterpillar had established itself as a market leader with regard to innovation and its impressive product line, consisting of more than 300 machines with various types of engines suited to different purposes, for

example, on the road or at sea, moving ground or deep beneath it. In addition, Cat engines are the only one with ACERT Technology. Because of the technology-driven nature of the industry, the company constantly focuses on advancing electronic components and control systems. It had foreseen that going green would be the trend in the 21st century, it initiated research and development program on measures to reduce emissions from diesel engines. The ACERT technology has provided Caterpillar with the ability to satisfy the strict emission regulations. The special technology is now being transferred to the whole of the Cat product family. It gains a competitive edge over other competitors by differentiating its product in an innovative approach.

As Caterpillar continues to expand the geographic scope of its sales and investigate new opportunities in different continents, an extensive network of dedicated dealers has emerged as one of its key strengths. To sustain these advantages, the company invested heavily in training its dealers. They focused on providing excellent after-sale service to customers. This customer focus strategy proved to be a success because the customers feel a sense of purpose and become loyal to the company.

The second section of the mission statement states: "Caterpillar people will increase shareholder value by aggressively pursuing growth and profit opportunities that leverage our engineering, manufacturing, distribution, information management and financial services expertise. We grow profitably." (Cat) This section addresses Caterpillar's concern for shareholder value by emphasizing their goals to increase value as part of the statement.

The simple line, “ We grow profitably” shows a strong faith in their future as a company.

The company always takes an aggressive stance to maximize shareholder wealth by expanding geographically and diversifying into different market segments. It has achieved a substantial growth even when its domestic market continues to stagnate due to the recession in the United States. Caterpillar has maintained its position as a leading U. S. exporter of the industry, its export sales accounted for 58% of total sales and revenues in 2007 (Wikinvest, 2008). The company recognized its main growth opportunities are in foreign countries, it has increased the percentage of overseas manufacturing. Collaboration is taking place through joint ventures designed to share production facilities and technology. A successful example is the 50-50 joint venture between the Caterpillar and Mitsubishi Heavy Industries which was formed 44 years ago. It is cost effective to invest in local manufacturing plants in these high growth markets. This strategic move allowed the company to produce specific models for regional sales to cope with rapidly expanding Asian market. Caterpillar would become the major shareholder in Shin Caterpillar Mitsubishi Ltd this year through share redemption (Marketwatch, 2008).

Moreover, the company has a substantial increase in sales in China due to the insatiable demand for infrastructure in the developing country. To take advantage of the economic boom, the company will look to invest in building three new plants in China this year.

The company has continued to reward shareholders with solid dividend growth. The cash dividend has nearly tripled since 1998. The \$0.42 dividend this quarter represents a 17 percent increase over the previous one (PR Newswire, 2008). As its core business is prone to cyclical swings in sales, Caterpillar is eager to capitalize on its financial and logistical expertise. Cat Financial offers a range of financing options and insurance for its machines. The financial service group has continued to add to the bottom line with revenues of \$2.998 billion in 2007, a 9 percent increase over the previous year. Cat Logistics is also experiencing rapid growth by marketing out its inventory management and distribution expertise to other companies such as DaimlerChrysler, BMW, Honeywell and Ericsson. Thanks to its diversified and integrated business model, the company is able to make profit and set up a good brand name by providing the extra and trustworthy service.

The third section read: "Caterpillar will provide its worldwide workforce with an environment that stimulates diversity, innovation, teamwork, continuous learning and improvement and rewards individual performance. We develop and reward people." (Cat) A strong concern for the employees is shown in this section of the mission statement.

The company offers extensive training and employee development. For instance, 6 Sigma training is one of the ways it develops their employees and prepares them to deal with the increasingly complex issues. More than 30,000 employees are involved in 6 Sigma and are helping to shape the Caterpillar of tomorrow. Moreover, the company's tuition assistance program provides reimbursement to employees for approved educational expenses

that contribute to their professional and personal development. Employees were empowered and decision-making moved down the chain of command. Top management also realized the importance of building close relationships with those on the front line and that a happy employee was the cornerstone of Caterpillar's success.

Last year, the American College of Occupational and Environmental Medicine recognizes Caterpillar's outstanding achievements in employee health, safety, environment and management. The company believes people is its most important asset. Since 2000, it has strived to cut workplace injuries by 75 percent. To create a healthy workforce, healthcare benefits such as free physicals and cancer screenings along with health promotion program are offered to employees. It believes a healthy company means a better business (BYM Marine & Maritime News, 2007).

The final section of the mission statement is as follows: "Caterpillar is dedicated to improving the quality of life while sustaining the quality of our earth. We encourage social responsibility." (Cat) Finally, Caterpillar addresses their concern for the public image of the company by including environmental and social issues in their mission statement. Caterpillar is actively engaged in several environmental and social projects around the world.

David states that integrating environmental protection principles into business operations became an indispensable element of strategic management nowadays (2009, p. 91). With growing public awareness of

environmental issues, business corporations have to take proactive approach to these concerns by adopting and enhancing environmentally responsible business practices. A green image proves to be an important attribute that gains customer satisfaction and loyalty. The environmental efforts of the companies exert a great influence on the purchasing decisions of customers. In addition, investors are changing the way they assess companies' performance, and are making decisions based on criteria that include environmental concerns.

Cat Reman is one of the largest remanufacturers, recycling more than two million pounds of material every year. Caterpillar's remanufacturing operations began in 1972. Recently the company's remanufacturing business has grown rapidly, with revenues up by 67 percent between 2001 and 2006. The success was partly because of acquisitions, and the unit now employs over 2,000 people at 16 facilities in the U. S., Mexico, Europe and Asia. Besides remaking Caterpillar equipment and parts, Cat Reman does remanufacturing for other companies such as Ford, General Motors and Daimler Chrysler.

Though environmental concerns were one of the reasons for the company's diversification into the remanufacturing business, the alarm over rising raw material prices and commodity shortages present a great potential of the remanufacturing market. The company identified that it was an opportunity to broaden the market of its current products as a new Caterpillar machine is not affordable to everyone. The company sells remanufactured equipment

and components that meet its performance standards, but at prices substantially below those of new products.

Caterpillar has a reputation for making a difference. In response to the Asian Tsunami disaster and Sichuan Earthquake, Caterpillar and its dealers provided machines, money and resources for relief and recovery efforts. In 2005, Caterpillar was the lead corporate donor, giving \$12 million dollars to the Nature Conservancy in a joint effort to protect and preserve river systems in Brazil, USA, and China (Philanthropy News Digest, 2005).

Caterpillar has been selected as a member of the Dow Jones Sustainability World Index for the seventh consecutive year. The company saw a five point gain in its total score and received the highest overall score reached by a company in the industrial engineering industry (MSN Money, 2007).

Conclusion No matter how big or small the business is, every company should have a mission statement that lets its stakeholders know what it stands for and what it anticipates to achieve. It is an enduring statement of purpose for an organization that reflects its values and priorities. It should be able to withstand time and remain current to adapt to the ever-changing environment.

Effective mission statement can be a great asset to an organization. It is important that when an organization implements a mission statement they apply it to their functional strategies and consider input from various groups.

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