



MEASURE TWICE CUT ONCE

Lessons Learned Through 36+ Years
of Trials and Tribulations

This book is dedicated to
the future leaders of Caterpillar
that are accountable for leaving
the business better than they found
it and in more capable hands.

One of my early bosses was Ron Choate, and he used to always say, no matter how high you move up in the company, you should never forget from where you come. I've heeded his advice through the years, and to ensure I keep myself grounded and never forget my roots, I start all leadership presentations with the fact that I proudly hail from Pilot Grove, Missouri. It was a great place to grow up, and I loved working with my dad around the house and on the farm. Anytime we were cutting boards, he would always say, **"Measure twice, cut once."** I'm sure this was based on a lesson learned when he had cut a board too short, and once you make that cut, there is no going back. To this day, when cutting a piece of wood or centering a picture on the wall, I always "measure twice" just to be sure. Learning from those who have gone before us is an opportunity we all have.



Through my 36+ years with Caterpillar, I've "cut a few boards too short" myself. The following is a list of "lessons learned" from my perspective. Each of my lessons learned are tied to the specific events that led to learning. It is important to point out that none of the examples are intended to criticize decisions of the past, but simply to put my learnings in perspective. You might disagree with my examples, and that is OK – **diversity of opinion is a key requirement of a successful business.**

So here's my list of leadership lessons learned (in no particular order):

“You aren’t going anywhere.”

1.

NEVER FORGET THE PURPOSE: Early in my career, Cat was navigating through some very choppy waters. It was the early 80s, and the world economy was in recession, the dollar was strong, giving advantage to our competitors, and Cat wasn’t well positioned to weather the storm. We had a weak balance sheet, had to cut the dividend and lost our credit rating. As a relatively new hire, the outlook was bleak. I had started at the company in 1979 with a group of about 10 people. By the end of 1982, there were only three of us left. My future at Cat seemed uncertain, so I decided to take matters in my own hands and find a new opportunity outside of Cat. As I came from Missouri and had friends in St. Louis, that’s where I started looking for another job. I interviewed with several companies and received an offer from Anheuser Busch. The following week, I asked my supervisor Bob Sulaski if he had a moment for a private discussion. I told him I just wanted to get ahead of the situation and that I had been to St. Louis and interviewed with Anheuser Busch. His response stopped me in my tracks.

He said, "You aren't going anywhere." He made two points that have stuck with me throughout my career. First, he said, "The industry will recover, and there will be great opportunities in the future." Secondly, he asked, "Do you want to sell beer the rest of your life, or do you want to build the world's infrastructure leading to a higher standard of living for people around the world?" At the end of the day, he was right on both accounts, and I will be forever grateful for the advice. I can't imagine a career with more great opportunities, but more importantly, I have never forgotten about the core purpose of Caterpillar. In partnership

with our suppliers and dealers, we support customers around the world as they build the world's infrastructure. I have traveled the world, and you can't take me to any country and show me an improved standard of living without the build out of their basic infrastructure. As the old Cat saying goes, "The road to progress begins with a road, period." Yes, the company will go through cycles, but as it does, never forget the purpose. Perhaps Theodore Roosevelt said it best: "Far and away the best prize that life has to offer is the chance to work hard at work worth doing."

2.

CHECK PLEASE: One thing we must never forget is who is paying the bill – our customers. I do think there was a period of time at Caterpillar when we took our eye off the ball. Yes, during periods of allocation, one can take the short-term view of supply and demand and be overly aggressive on price. However, our customers and we are in the business for the long term, and we must keep a balanced perspective. At the heart of our strategy is the basic premise that we must ensure our customers make more money with our products, services and solutions than they can with any competitor. If we win this battle, we are in the position to win long term (not guaranteed, you have to offer this value while also making a fair return on investment). As we engage with customers, we need to remember it is not always about the machines, engines or parts. Ask the customer questions like “What problems are you trying to solve?” and “What’s keeping you awake at night?” Oftentimes, we can bring solutions that go well beyond just our products to help our customers succeed. The Strategic Planning Committee (SPC) emphasized the need for an acute and intense focus on the customer in 2010, and it was a key point of emphasis from our Chairman, Doug Oberhelman as he rolled out the strategy that year – it is a good reminder on who’s paying the bill.

3.

OPERATING & EXECUTION MODEL: While strategy development can be difficult, through the years I have learned real value is created in execution. We have all experienced the countless binders and presentations outlining great strategy. However, one of the arts of leadership is how you engage your organization to execute the strategy. While it took me a number of years to figure it out, I am convinced the Operating & Execution Model is the right way to run the business. In the simplest of terms, it is a four-step process. First, customers make more money with our products, services and solutions than they can with our competitors. Next, we leverage our size, scale and capabilities to get a higher share of the available OPACC in the industry. Then, we smartly reinvest the proceeds in the business looking through an OPACC lens. And lastly, we build the capability of our people to execute the model and then start all over again. Now, this all sounds easier than it is and that's why the Operating & Execution Model turned into a lengthy document. With a culturally diverse, global organization, we had to put our Operating & Execution Model down in writing. If we can't clearly articulate it in the written word, how can we expect employees around the world to understand how we look at the business and how we make decisions?

“One of the arts of leadership is how you engage your organization to execute the strategy.”

A part of the writing was to identify one definition of winning: maximizing our share of future market OPACC. I still believe it is the right way to keep score – it has a high correlation to how the owners of the business (shareholders) measure and value performance, it's focused on growth as well as share, and it includes the aftermarket. One definition of winning applies in sports (the team with the most points wins) and also applies in

business, but remember, the business model is not just about a metric, it is about how you run the business. Lastly, when executing the model, think end-to-end. If we maximize OPACC, but dealers and suppliers cannot earn an appropriate return, it's a false economy. It may work in the short term, but is not sustainable over the long haul.

4.

GRANULAR UNDERSTANDING: As you progress through the organization, some will say you need vision, and yes, this is true. However, I don't think you can successfully lead a business by flying at 30,000 feet. As a leader, I believe that great execution starts with a granular understanding of the business. Where do you create value? Where do you destroy value? What are the drivers behind your period cost structure? What few things will make the biggest difference in the overall business? Roger Fischbach, a former vice president who originally set up the Building Construction Production (BCP) Division, would say, "In God we trust; all others bring data." Our successful launch of 6 Sigma was grounded in facts and data. Yes, we need to look at high-level strategies, but the view is a lot clearer when you have a deep understanding of the details. With this granular understanding you can then allocate the appropriate resources. In fact, perhaps the most important element of leadership is resource allocation – investing the time, money and resources in those few things that will make the biggest difference. Having a granular understanding of the details will serve you well when you make these decisions.

5.

INNOVATE ON THE EDGES: When launching innovative new products, bring it to market as a derivative product and then let it move to the mainstream when driven by customer adoption. When I came to BCP, they were attempting to launch the E-series backhoe – taking the complete lineup to Electro-Hydraulic (EH) controls. When we failed to get the new technology right, we had to do a complete do-over on the program and move back to the previous version of hydraulic controls. Had we just launched EH on a derivative model like the 432 or created a separate EH model, I am convinced we would have eventually gotten the technology to work, and it would be a mainstay in our product lineup today. While many will argue with me, I also think the move on the M-series motor grader to force 100 percent adoption of the stick steer contributed to our drop in North America PINS and opened the door for John Deere. While the team has done great work to regain lost ground, it was lost ground we should have never given up. When coming up with innovative products, do it with a derivative model, and then when adoption picks up, you can mainstream it. This is the approach being taken on the 336 Hybrid and XE version of wheel loaders, and I think it will prove out to be the best long-term solution.

6.

ONE BITE AT A TIME: Don't always buy the argument that doing capacity expansion in pieces costs more money. Oftentimes when we have expanded capacity, we have done it in large pieces because it was "less expensive versus taking it in steps." While the concept may make sense, in an industry that moves in cycles, you can almost be assured that you will have to endure a downturn before getting full use of the capacity, and as a result, you will have to wear the depreciation through the next downturn. Don't be afraid to take the expansion in pieces. I think you will also find that when you do, you can get more volume out of the initial phase than originally anticipated. If we had it to do over again, we probably would have taken Victoria, Texas, in steps like we did Wujiang, China. Also, before making the final call on capacity, do a good quality check on your make/buy strategy, and make sure you are fully deploying Lean. If you are making something the supply base is better suited to provide or if you have significant opportunities to improve flow, you may have more capacity available than you think.



7.

THERE IS NO SUCH THING AS A PERFECT ORGANIZATION CHART:

All large corporations have to deal with a matrixed structure. In spite of years of effort and change, I've come to realize there is no such thing as a perfect organization chart — it will always be a balance between focus and leverage, products and geography. The real leaders are those who can leverage the matrix, not those that fight it. The more complex the matrix and problem you are trying to solve, the greater the need for a clear definition of winning and a disciplined approach to governance and execution. The clear definition of winning allows teams from across the enterprise to pull together. Putting a challenging definition of winning in front of a group also drives innovation and collaboration. I've seen it time and time again throughout my career with initiatives like Stay Strong during the global financial crisis, the BCP turnaround and our current efforts on Project Bulletproof. Don't get hung up on the organization chart. Get focused on the problem you are trying to solve.



8.

CHOICE, THE LAST OF THE HUMAN FREEDOMS: The hardest part of leadership is choice – making explicit decisions on where you are going to focus your efforts, and as a result, how you are going to allocate your time, effort, energy and money. History will tell you, it's not the biggest or strongest that survive, it is those that adapt. A huge part of adapting is making the right choices, and it's not a laundry list. As a leader you constantly have to drive the organization to stay focused on those few things that will make the biggest difference – your OPACC Improvement Agenda. Our tendency is always that our eyes are bigger than our stomachs. Never get confused between activities and results. When I was the CFO, I never had a single shareholder give us credit for activities per share – stay focused, make the right explicit choices and deliver results. One last point on choice – who gets to choose what kind of day you have? The answer is you – not your boss, your spouse or the people you work with. Jim Tevebaugh was a great colleague of mine, and he used to say, "Every day is a terrific day; some are more terrific than others," and it is a concept I have practiced ever since having traveled the world and seen people living in poverty, oppression and strife – yes, some days are more terrific than others, but day in and day out, we are all very fortunate.

9.

THINK END-TO-END: I am absolutely convinced that the winner in this industry will be the one that integrates end-to-end. Gone are the days when individual entities in a supply chain can throw things over the wall to the next step in the chain and expect great results. For Caterpillar, this end-to-end focus needs to extend back to our suppliers and out to our dealers as we serve customers around the world. While the manufacturing team never really appreciated the saying, for me, we are a logistics business with a minor interruption for manufacturing and assembly. This end-to-end focus probably saved our HEX business. Leaders like Bob Glinke and Jim Matteo gained a deep understanding of the end-to-end complexity we were driving in the excavator business and laid out and executed the plan to fix it. If you can simplify and synchronize this end-to-end supply chain, you can differentiate yourself from the competition and deliver great results. It's one of the reasons I really like OPACC as a metric, because it does force you to look at the business end-to-end. Think end-to-end and you will win end-to-end.

10.

IT'S A SIMULTANEOUS LIFT: Dealers are an incredible source of sustainable competitive advantage for Caterpillar. Years ago a report was published showing Cat dealers having twice the capital deployed as our next four largest competitors combined. I'm just glad that those who went before us started building out the dealer organization back in 1925. Going forward, I think opportunities exist to make dealers an even greater sustainable competitive advantage. Customers are demanding more – rental, equipment management, improved productivity, machine uptime, etc. These are all customer requirements where we and our dealers should have a competitive advantage due to our size, scale and capital structure. However, we should never take this source of competitive advantage for granted. Across the Table lays out a great framework for where we want to take distribution in the future. From my past experience, I would suggest you keep the following in mind. You'll gain far more credibility in driving dealer development if you are pushing Cat's own improvement just as hard. And lastly, always remember that relationships matter. There is no better way to build relationships with our dealers than being willing to get your hands dirty at the dealer's place of business. This will give you far more credibility. Push hard, but always remember: It's a simultaneous lift.

11.

THE CONTRARIAN POINT OF VIEW: In a large company, it is easy to get caught up in the moment. When business is good, no one can ever see it getting bad – when business is bad, no one can ever see it getting good. As you step into a new job, do you ever sit back and wonder what the leaders who went before you were thinking? Having a diverse leadership team is one way to avoid the pitfalls of not taking a critical eye to a proposal or initiative. On key strategic moves such as major capacity expansions, new product launches or M&A, I would suggest you slow down, fully absorb the options and force a contrarian view. I’m not saying this would have changed any of the past corporate decisions, but major moves require major debate. While running the business by major segment is the right way to run the business, key strategic issues require debate and different perspectives. Some will contend this slows things down – I contend it will lead to better decisions.



12.

HE OR SHE WHO CUTS THE DEAL IMPLEMENTS THE DEAL:

Early in my career, I was traveling in Africa and was at a dinner with customers in Libreville, Gabon. Sitting next to me at dinner was a young man from Finland, and I asked him, “How did you end up in Libreville?” He said he worked for the Finnish parent company in Oslo that owned the quarry and was in their M&A group. He had made the presentation to the board to buy the quarry in Gabon and was passionate about why it was a good strategic move and would generate a high return on investment. He said, “Our board was impressed by the presentation and bought into my logic and recommendation.” Then they simply said, “Now you can go implement it.” When we do M&A or major capacity expansions, make sure you have leadership commitment to see it through. I’m not talking about closing the deal or building the factory. It’s all about delivering on the financial commitments in the original proposal. If your organization understands that you will leave them in a place to deliver on their commitments, it will take a lot of the “water” out of the numbers.

13.

BEING “CATERPILLARIZED”: In one of my first board meetings as a Caterpillar group president, we were reviewing a proposed acquisition. During the discussion, one of the board members said, “Whatever you do, don’t Caterpillarize it.” What I took away from the comment was, if being “Caterpillarized” is a bad thing, then we are not doing our job. Now this doesn’t mean that we go in and put all Caterpillar processes and systems in place at the acquired company upfront, but before the acquisition is made, we should explicitly agree on the integration plan – what we are going to do with the brand, what role dealers play, etc. Far too often, synergy investments are not made upfront, and then down the road the business unit says they can’t afford it. Get after it early. For me, the one part of being “Caterpillarized” that is not negotiable is Our Values in Action. As a company, I oftentimes think we underestimate the importance of Our Values. It is key to our long-term sustainability as a company. If you look at other entities, be it empires (the Romans), companies or families, if the values are destroyed, there is little to no hope. As leaders, you are the stewards of the business – protect the values, and always ensure being “Caterpillarized” is a good thing.

14.

FOR THE RIGHT REASONS: Early in my career, I was involved in shutting down the Davenport, Iowa, plant and moving production of track loaders and track-type tractors to Grenoble, France. As a new hire to Caterpillar at the time, I was puzzled by the move and asked the simple question, “If the majority of the demand for these products is in North America, why are we moving the production to France?” The answer was that we had a tax loss carry forward in France, and if we didn’t make money there, it would expire. Now, this is not to say that Grenoble and its people don’t do a great job, but decisions on the placement of facilities need to be grounded in the basics – regional demand for the product, availability of good quality labor and logistics are the ones that have always stuck out for me. Yes, incentives and taxes can be pursued, but only after the fundamentals have been worked, because over time incentives and taxes change. Stay focused on the basics.

15.

IT'S ALL HARD: During my days at Caterpillar, I have been involved in some pretty challenged businesses. One that stands out for me is BCP. In the early days, many were saying we should just exit the business. We had struggled to make money at BCP for years. In a discussion with Greg Poole, one of our dealer principals, he said something that has stuck with me for years. "If you get out of everything that is hard to do, pretty soon you'll be out of business as it is all going to be hard." The world we compete in continues to get more and more competitive. If we leverage our capital, capability, supplier and dealer organization, if the fundamentals are right and if the business fits our business model, then I'm convinced we can fix anything. We struggled for the first decade with Solar. We struggled for years with BCP. We struggled for years with Electric Power. Thank goodness these are all part of our portfolio today. Now, I am not saying we should have great patience with under performing businesses. There needs to be focus, a timeline and cadence to drive execution. History has taught us that we can win in tough businesses, and over time, they are all going to be tough.

16.

THE EXIT CLAUSE: By our nature, we are not built for long-term joint ventures (JV). Perhaps the exception was our JV with Mitsubishi in Japan, but even that JV ended. A close colleague of mine, Stu Levenick, always reminded me that the most important clauses of any JV contract is the exit clause. Some will question negotiating an exit clause upfront as a lack of confidence in the JV, but the strength of a JV should be the unique capability each party brings to the JV, not the challenging language in the contract. I experienced this first hand when I took over responsibility for the EDC JV in Germany. There were four partners – Caterpillar, two former competitors and a dealer – and the entity was really struggling. While we eventually got the JV unwound and fully integrated into Cat, it sure would have been easier if more thought had been given to the exit clause upfront. Also, as you consider JVs, it's like marriage: Pick your partner wisely. Above all else, there has to be a strong cultural match, and the opportunity being pursued by the JV has to be large enough to make a difference. At times, I think we have diverted time and attention to manage JVs and their related issues when the size of the opportunity was relatively small. Business is hard enough without adding the complexity of small JVs pursuing small opportunities.

17.

DON'T UNDERESTIMATE COMPETITION: Time and time again throughout my career, I have heard statements about what our competitors cannot do. First, our development of ACERT was going to be the end of Cummins. Then I heard JCB can't develop an engine. Some said Deere is just an Ag play and won't penetrate the construction market. We need to understand that we do not have a corner on all good ideas or good people. Also as you enter new markets or launch new products, never underestimate the competitive response. I've been involved in a couple of product launches into new spaces during my career at Caterpillar, and in both cases, we underestimated the competitive response. Perhaps one of the best products ever launched by Cat was the Challenger Ag tractor, but do you really think John Deere was just going to step back and let us carve out our share of the market? With the launch of our skid steer loaders, did we really expect Bobcat to not react? If a new player came into the large track-type tractor market in the U.S., would we react? I'm not saying we don't enter new products or markets (the skid steer loader business is a great business today).



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However, when doing it, just make sure you take into consideration the reality of the anticipated competitive response and how we are or are not at a competitive advantage. While we shouldn’t fear competition, we surely should humbly respect them and understand that we have to add more value to our customers each and every day to stay ahead of them. For me, it is not about focusing on the competition. We focus on customers making more money with our products, services and solutions and respect the fact that our competitors are focused on the same thing.

18.

WIN ON THE ROAD: One of the strengths of Caterpillar has been our focus on “winning on the road” for decades. We are a better company today, because we have been going toe-to-toe against Komatsu in Japan since 1963. We’ll be a better competitor tomorrow, because we are going toe-to-toe with emerging competitors in China today. When I was the CFO, I was in Beijing at an investor conference, and a young man in the front of the room in the Q&A said, “I will never buy Cat stock, because the China domestic players are going to come out of China and destroy your business around the world.” I told the young man that there is a company in China in which we are keeping a close eye. They have developed a strong supply base, are building components locally, have established a manufacturing footprint, are designing products in local R&D centers to meet local customer requirements, have built a strong dealer organization and are offering services like great parts availability and financing. When I finished, the young man leaned forward in his seat and asked, “Who’s that?” My response: “Caterpillar.” The best way for us to win outside of China against the domestic players is to win inside China. You can’t be a great global company without winning on the road.

19.

PAGE 11: I clearly understand the need to take positions on key external issues, but I also clearly understand that our number one priority is to run the business. Mixing business and politics is a dangerous game. We should engage in a few key issues such as trade, tax and infrastructure, and work it with the appropriate government officials, but little is gained by letting it play out in the public domain. Today's world is focused on negative news, and we should never forget, the press will attack corporations or individuals on the front page. Good news is always buried on page 11 or after. If you want to do a quality check, go back and see where it was reported when we had our last quarter of record sales and profits, and then compare it to where it was reported when something negative was in the press about Caterpillar. Keep your head down, run the business and let the numbers speak for themselves.



20.

GLOBAL IS HARD: During my years at Caterpillar, I have operated in a regional structure as well as global structure, and while global is really hard (travel, late night/early morning calls, communication, etc.), it is the right way to run the business. It allows you to allocate and leverage resources, source product based on maximizing OPACC, and leverage the diversity that we have around the world. An example that I always remember in this space was when our team in Victoria, Texas, was working hard to get their product costs down to match Akashi, Japan, and every time they implemented a cost reduction, Akashi would replicate it. John Jones was the plant manager, and when he got just a little bit frustrated, he would remind himself that the competition is Komatsu, Hitachi, etc., not Akashi. The fact that both Akashi and Victoria were in the same global organization facilitated this type of benchmarking. One additional point on being global – use the available tools to communicate with your global employees during their business hours – not just yours. I’m still dumbfounded every time I hear someone say they are going to have a global all employee meeting at 10 a.m. Peoria time. Yes, global is hard, but it is the right way to run the business.

21.

ON ONE PAGE: Early in my career I had a great boss named Mike Downing. Any time I went to him with a complex issue or question, he would simply pull out one piece of paper and map out the issue based on what I was telling him. It was his simple way of clearly understanding the issue. Oftentimes, we don't take the time to clearly understand what problem we are trying to solve. We can get lost in a stack of PowerPoint slides, instead of the simplistic approach Mike used early in my career. If you think back to the global financial crisis, do you really believe leaders at the big banks understood the products people in their organizations were creating that led to the housing collapse? If a proposal, program, tax initiative, etc. is too complex to outline on a piece of paper, it just may be too complex, period. It's also a good way to test the understanding of the person making the proposal. Some of the best ideas are the simplest ones.

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22.

CHANGE ORDERS: If you’ve ever built a house, you have learned the builder makes most of the money on change orders. As a leader, the same rule applies. The more thoughtful you are in the original project planning, the more efficient you will be in project execution. In building a new facility, take the time to engage the right expertise in the layout and flow (there are some great simulations tools in this space). In complex projects, take the time to explicitly articulate what problem you are trying to solve. As we developed as a 6 Sigma organization, one of the things we came to understand is that the most important element of a successful project is a clear and concise project charter.

“Go slow, so you can go fast.”

While some will contend that all this planning does is slow things down, I would suggest they are wrong. It reminds me of an old Japanese saying: “Go slow, so you can go fast.” Trust me, proper planning upfront makes all the difference down the road. One additional comment on project planning – don’t drive too much complexity at one time. One example of the extreme was our start up at the Athens, Georgia, facility. We changed the source from Japan

to Athens, deployed a new system, did it at the time of a new product introduction (NPI) and changed the source on multiple components. While it all made logical sense at the time, when you rolled it all up, it made the transition to Athens very complex and challenging. Now, the team in Athens rose to the challenge and overcame the complexity, but we probably made it harder on them than it needed to be.



23.

WELCOME TO THE STARTING LINE: Large ERP system deployments are hard and for reasons well beyond the software. By human nature, we don't like change, and this makes an ERP system deployment painful – I've described it as having your spinal cord ripped out and replaced without anesthetics. While there are a lot of lessons learned from others that have deployed in the past, the one that sticks out to me is to make sure you think about the whole process, not just the individual elements of the system. Individual pieces of your system may work just fine, but it's actually the integration across systems that determine if you can run the business. In our Mach 1 experiences, we found that our problems were in the end-to-end processes like procure-to-pay, engineer-to-release, order-to-delivery, etc. Getting the individual elements of the system right is important, but the value is created when they are successfully tied together end-to-end. While many question the value of ERP system deployments (and you do need a good business case), the question I often ask is: "What are you suggesting as the alternative?"

Do you really think we can just stay with what we have and pass it on to the next generation of leaders? In my view, we will not win with a multitude of disparate ERP systems – sooner or later we need to finish what we started with Mach 1. One last thought on systems – when you have a successful go-live, the tendency will be to stop and celebrate. I’d suggest the response should be “welcome to the starting line.” Value is not created by go-live, it is created by extracting the value from the new system and processes.



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24.

WIFE'S HIGH SCHOOL REUNION: In 2006 we had a worldwide dealer meeting and a week later a worldwide supplier meeting. I remember going to the dealer meeting and feeling like I was going to my high school class reunion. I knew almost all the dealers worldwide, and in many cases, I knew their families as well. A week later when I went to the worldwide supplier meeting, I felt like I was going to my wife's high school class reunion, and I knew right then and there that was not right. We have great dealers, and yes, we have great suppliers. Many suppliers are just like our dealers – second and third generations of people who bleed yellow just like we do. I made a commitment to get much closer to our supply base, and it is a journey I have so enjoyed. It helped me understand the importance of a disciplined approach to make/buy strategies and strategic sourcing matrices. During good times and bad, we need to remain disciplined in adhering to the strategy we have with suppliers. If we don't, they won't be there when the market comes back and we need them most. As I end my career, I really feel good about the fact that regardless of if it is a dealer or supplier meeting, it feels like my high school class reunion.



25.

CONTROL THE DRAFT: In negotiations with third parties when legal documents are required, my preference is to always control the draft. As the first step, get both parties to agree on a simple document that outlines what each party is committing to — clear and concise points of the agreement. If you jump straight to the contract, the legal language can blur the original intent. Having a general letter of understanding is just a good way to start. As you move forward, undoubtedly in a negotiation, you are going to go back and forth on the contract language. I have just always found it easier to be the one updating the drafts. In addition, don't be afraid to lock the business leaders and attorneys in a room. I've just seen instances where drafts are sent back and forth, and you get on the "Caterpillar roundabout" and can't get off. Don't let this linger. Get the people who can make the decisions, put them in a room and don't come out until the deal is done. I remember doing this when we were negotiating the telehandler agreement with JLG. As I recall, I got the call from Klaus Ukens at 3 a.m. saying the deal was done. If you do this the week before a major holiday, it has an even greater impact 😊.

26.

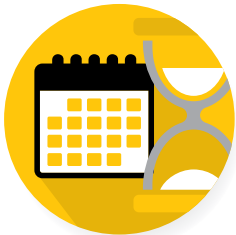
CHARACTER OVER CAPITAL: In the selection of dealers or suppliers, making sure they have adequate capital to fund the business is incredibly important; however, never forget that capital can be provided, but character is not for sale. Through the years, we have supported a number of dealer transitions where the incoming dealer's balance sheet was really stretched, and in our supply base, as we have gone through cycles, we have had to lend a hand to get a supplier through a tough patch. Today, many of those undercapitalized dealers and suppliers are among the list of our best because of the character of the people leading those organizations. I've seen this work time and time again at Cat Financial. We will always have a strategic advantage versus the banks in financing our customers, because not only do we understand the balance sheet of our customers, we understand the character. Be it with dealers, suppliers or customers, we just never seem to go wrong when we chose character over who just has the most capital.

27.

SO PREDICTABLE: Our youngest daughter, Stefanie, gives me a hard time all the time. I'll go to say something, and she will finish my sentence. Then she will say, "Dad, you are so predictable." My response is always the same: "Predictability is a good trait in a father." I think it is a great trait of a leader as well. I remember being in a Q&A session with Jim Collins, the author of *Good to Great*. Someone in the audience asked him the question, "What are the common characteristics of a company that goes from Good to Bad?" He paused, thought about it for a moment or two and then said, "Chronic inconsistency." If your organization is uncertain of where you are taking it, of what the critical few priorities are, then they will make up the direction on their own. Be predictable, consistently provide the clarity of direction, and move the organization from Good to Great. In my opinion, one place where a high degree of consistency is warranted is R&D. This is not to say R&D won't have to flex in tough times, but it is to say it should not be the first lever you pull. In some ways, it's amazing how the market views a company – they criticize a company for expense levels, but don't blink an eye when they spend billions on an acquisition. Over time, I still believe the best investment is organic growth, which typically gets its fuel from R&D.

28.

TEST YOUR PERSONAL OEE: In our factories, we measure machine productivity with a measure called Overall Equipment Effectiveness (OEE). It measures what percent of the designed availability of the machine is actually being achieved. As a leader, I would challenge you to measure your personal OEE. Go back and review your calendar over the past 60 days and assess what percent of your time was dedicated to those few things that will make the biggest difference? What percent of your time is dedicated to developing the next generation of leaders? What is your personal OEE? I think you will find a lot of “waste” with great opportunities to realign your time and calendar to improve your personal OEE. On the calendar, I would suggest your best defense is a good offense. As you finalize your SMART goals for the next year, also take the time to block out the time on your calendar for your highest priorities. If you don’t block the time, someone else will consume it.



29.

INNOVATE WITH A PURPOSE: I fully support the corporate focus on innovation. I think it carries forward what has been a great part of Caterpillar dating back to 1925 – from the first diesel engine, to the high drive, to hydraulic hybrids and more. I think the greatest innovations have been those focused on addressing a specific business need – a customer’s need to get the sprocket out of the dirt and rocks to lower operating costs or the need to improve fuel efficiency (customers didn’t ask for a hybrid: they just wanted lower fuel consumption and the hybrid was the solution to the problem). For me it was always how you innovate to grow great businesses and innovate to fix those that are challenged. On those areas that need to be fixed, you will be amazed by the innovation that comes into play when you get a team focused. It was innovation like this that took the mini-Hex in China from negative variable margin to positive OPACC. It was innovation like that that made the 12-ton HEX in the UK positive OPACC after 20 years of negative Cat and dealer margins. Get your OPACC Improvement Agenda clearly defined and then turn the organization loose to innovate to grow and innovate to fix.

30.

ORGANIC VS. M&A: Growth is the life blood of any company. We always need to be searching for innovative ways to grow, but not simply for the sake of growth. What shareholders will recognize is sustainable, profitable growth. I firmly believe that organic growth is the best option for shareholders. I have always struggled with how the external market looks at the difference between organic growth and M&A. A few years back, I am sure the market would have embraced an acquisition like Letourneau, who had large electric drive wheel loaders, which would have been a good add to our portfolio. Yet we have struggled to internally fund the 996, which I am convinced would be a better alternative. Regardless of if you are pursuing organic or “bolt-on” acquisitions to build out the portfolio, don’t get caught up in a line-item review and project synergies off of the line-item analysis. The minimum, essential information needed to make informed business investment decisions are (1) the *market economics* (i.e. the size, growth and distribution of profits

in the market) and, (2) the drivers of *competitive position* that explain why different competitors have different shares of economic profits (or losses). These two pieces of information provide a “grounded” assessment of likely future business economics. If a fact-based understanding of market economics and competitive position is the standard for all strategic and investment decisions, you will come a long way in upgrading the quality and results of decision making at Cat.



“What shareholders will recognize is sustainable, profitable growth. I firmly believe that organic growth is the best option for shareholders.”

31.

DRAFT DAY: The most important decision you make as a business leader is who you let through the front door. If you are a baseball fan, you will understand the general manager of a baseball team never delegates draft day, yet I think sometimes we do delegate draft day to someone down the organization. As leaders, we need to be actively engaged in the recruiting process. For the skills you need in your organization, are you recruiting at the right universities? Do you know the key professors who know the best and brightest students? Do you have industry contacts that keep you informed when “free agents” come onto the market? We spend a lot of time on leadership development and succession planning, and I would just offer that it should also include a rigorous review of your recruiting process. If we bring the right person through the front door, it all gets so much easier. Just make sure you are not delegating draft day.

32.

PUT IT IN WRITING: During my days in BCP, we had a great general manager of product development named John Bettner. He would clearly articulate what he called the “secret sauce” of product development and the principle of never betting against a small, dedicated, focused team of employees. As we entered the next year, I encouraged John to put it in writing to benefit the next generation of leaders. As we got to the mid-year review, I asked him where he stood, and he said he just didn’t have the time as something like this requires uninterrupted concentration. So, I asked him to pick a week, go to his family farm, disconnect from the office and write the “secret sauce.” Two things came out of this exercise – the next generation of leaders at Caterpillar have a document from which they can learn, and I have a personal copy with a note inside saying “Thanks for the Big Push.” Probably the toughest document I had to “put in writing,” was the original CI Operating & Execution Model. My sense is having it in writing gives it a better chance of standing the test of time. If you really want to make a difference for the long haul, don’t be afraid to put it in writing. You can give me any set of PowerPoint slides, and I can give you five different presentations. If *Across the Table*, written back in 1926, was a set of PowerPoint slides, would it have stood the test of time and influenced our strategy 90 years after the fact – I think not. Make the effort to put it in writing.

“This is a relatively simple business — we just have the tendency to make it complex. Keep it simple, and skate to the puck.”

33.

SKATE TO THE PUCK: One of the things I take the most pride in is the development of the Operating and Execution Model. However, even though I thought it was a good piece of work, I was consistently checking the external world to understand how I should evolve the document over time. As part of this process, I had a great discussion with John Allison, the former chairman and CEO of BB&T Bank. He took the time to read the entire document (a much appreciated effort). He really liked the focus on execution, but noted that it all starts with the right strategy. Make sure you regularly assess the external markets and changing trends, and then lay out the execution plan and put the model to work. On strategy, he said to understand where the market is going, not where it is. He used an interesting analogy. He said Wayne Gretzky wasn't a great hockey player because he was the strongest or fastest.

He just knew how to skate to “where the puck was going to be.” He said the same concept applies to strategy: understand where your markets are going and then skate to the puck. Lastly, on strategy, do not use a “bumper sticker” slogan or meaningless terms out of a strategy book like, “We will strategically assess the opportunities afforded to us through the dynamic markets we serve.” I remember listening to our former Chairman and CEO, Jim Owens,

speak to a large audience at NC State about the global economy and U.S. competitiveness. At the end of the presentation, one of the participants said, “What I liked about your presentation was that you talked about very complex, global issues, but you used ‘Walmart English’ – I understood every word you said.” This is a relatively simple business – we just have the tendency to make it complex. Keep it simple, and skate to the puck.



“It’s a five-minute celebration and then it’s back to work.”

34.

FIVE-MINUTE CELEBRATION: We all need to take the time to celebrate our successes; however, I would suggest we keep the celebrations short and remain humble. During my days in Construction Industries, as a team, we had a long way to go. The business was underperforming and as a segment, we weren’t carrying our weight. We developed a granular understanding of the business, identified those few things that made the biggest difference (OPACC Improvement Agenda) and then drove disciplined execution. The team did a great job and drove a dramatic improvement in the business. As we celebrated hitting milestones along the way, we always reminded ourselves that it was just a five-minute celebration and then it’s back to work. The only requested change to this was in China where due to the number 8 being a lucky number, they preferred an 8-minute celebration. Yes, take time to celebrate along the way, but stay very humble and keep the celebrations short – it’s time to get back to work.

35.

GROUNDING IN GOOD ECONOMICS: As you do dealer development, don't forget the best way to accelerate dealer development is to have whatever you are trying to drive in terms of change at the dealer grounded in good economics. In the early days of my BCP journey, we were pushing dealers to have a dedicated structure for the BCP business. It wasn't until Max Martin took the lead in establishing the growth agreements that included the economic model to show how dealers could make a fair return on investment that we really started to gain traction. Our success in the Chinese HEX market for EXD is another great example. By working closely with the dealers on the right product offering that provided good economics for both our customers and our dealers, we increased our market share by more than two-thirds over a four year period. This occurred during a declining market, so it was not only a big OPACC driver for Caterpillar, but also a key to maintaining dealer health during tough economic times. Proposals that are grounded in good economics remove the emotion from the discussion and allow for things to move forward. Don't just propose change for the sake of change — understand the economics, and once it's grounded in solid economics, keep pushing.

36.

BUILD GREAT CATHEDRALS: While I have been influenced by a lot of leaders through the years, the one that stands out is Giancarlo Bertoluzzo. He was the CEO of the dealer in Northern Italy, and he taught me a lot about focus, resource allocation and helping every employee understand the role they play. The story he always told was about the man who owned a marble quarry in the Carrera region of Italy. The man walked into the quarry one day and talked to a young man working at the quarry and asked him what he did, and the young man responded, “I just shape stones – from the time I come in to the time I go home.” The quarry owner went home that night and reflected on the discussion. He went back to the quarry the next day and asked that young man to come with him, and he took him into the village where a great cathedral was being built and showed the young man where the stones that he was shaping were being placed in the cathedral. The next day he went to the quarry, saw the young man and asked him, what do you do? The young man responded, “I build great cathedrals.” As a leader, this is our job, our duty – to clearly communicate, in simple terms, where you want to take the organization and help each and every employee understand what stone they are shaping in the execution of your strategy. You do this, and you will be amazed by what cathedrals your team can build.



37.

ONLY THE PARANOID PREVAIL: While many things impacted me during my career, being in the middle of the quality firestorm at BCP is one that stands out. As I came on board at BCP, I remember going to a dealer meeting, and it was as close to a mutiny as I've ever come. Dealers just couldn't deal with the poor quality we were delivering. After a few false starts and some great advice from an assembly tech, we took a step back and laid out a comprehensive strategy to get the problem fixed once and for all. We had a "NFL draft" and put our best people on the products with the greatest quality challenges. We did a deep dive on all NPI programs and decided to "slow down, chew and digest" content changes that we could manage. Lastly, we "put engineers in the dirt and around the iron and customers," which led to the BCP Product Development Center. As a team, the division delivered great results, and today quality is at best ever levels. And while the results delivered by the team always made me proud, I have never lost focus on the fact that when it comes to quality, only the paranoid prevail. If you are not always looking for the next quality risk, taking the disciplined approach required to protect quality, then you can once again lose the plot. Stay focused on quality and remember; only the paranoid prevail. Also, don't fall into the trap that says there is a trade off between cost and quality. You can have both.

“If you want to assess how your strategy is being deployed ... the best way to find out is simply show up.”

38.

SHOWING UP MATTERS: There are a lot of leadership qualities that matter. You have to be able to paint the picture on where you are taking your organization. You have to be able to sift through the complexity of the business and identify those few things that are going to make the biggest difference in moving the ball forward. You have to be able to cascade this down the organization to make sure every employee understands the role they play. But, perhaps the most important aspect of leadership to make all of this happen is to simply show up. There is a poster as you enter the executive office that says it all: “A desk is a dangerous place from which to see the world.” If you want to assess how your strategy is being deployed, if a safety culture really exists in your facilities, etc., the best way to find out is simply show up. As a leader, your biggest risk is the filters that exist between you and your organization.

Every time I see a presentation, the first question I ask is how many filters has it been through before it got to me. I learned about filters firsthand while working at BCP. We were dealing with a quality firestorm and had updated our quality strategy to get after it. But, it was actually while working the assembly line in Clayton that I learned we had more to do. At the end of the shift, after building a good relationship with my fellow assembly technicians, one of them said, “Ed, I really do believe you want to improve quality, but at the end of the month, the only thing that matters around here is getting volume out the door.” It told me we had to go back to the

drawing board, and I only realized it because I “showed up.” One other point on showing up: When you do it, be present. Put the phone away, engage with employees, walk the floor — engagement is a contact sport. Why would you fly thousands of miles and not be present? This also applies at home. I remember running through an airport to catch a flight to rush home to see our daughter Alison on the night of her senior prom. I arrived home right as she was leaving. One of my favorite photos is Ali giving me a hug with my briefcase in one hand and suitcase in the other. I was a little late, but yes, showing up mattered.

39.

AFTERMARKET NOT AFTERTHOUGHT: During the 2010 Strategic Planning Committee (SPC) deliberations, a lot of discussion occurred around the question, “Does the organization clearly understand our Seed, Grow, Harvest business model?” Some in the group felt it was so embedded in the organization that it did not need to be called out, but there was a group of us that passionately felt we were taking the aftermarket for granted, treating it like an earned annuity. At the end of the day, we won out and the Seed, Grow, Harvest Business Model was born on the back of a napkin sketched out by myself and Stu Levenick. A talented young lady in the organization, Jennifer Hammontree Jones, took our chicken scratches and turned it into the depiction of the business model that I see almost everywhere I have traveled in the world. Don’t forget that it takes focused effort and attention from all involved to protect and grow the aftermarket. From the engineer’s pencil on design for repair and Reman, to the selection of suppliers that work with us in the aftermarket instead of competing with us, to thinking about retrofit capability on new designs — never lose sight of the model — drive the aftermarket; don’t let it become an afterthought.

40.

ONLY TWO CONSTANTS: Since the beginning of Caterpillar in 1925, there have only been two constants; our markets move up and our markets move down. It is actually how we manage through these troughs and cycles that determine our long-term position in the industry. Historically, we have been better positioned to manage through the cycles primarily based on three factors: Our Seed, Grow, Harvest Business Model driving stable aftermarket sales; the strength of our dealer organization, as many competitors lose dealers during severe downturns; and our willingness to invest in tough times (while 2009 was the largest year-over-year decline in sales dating back to the 1930s, it was our second highest year of investment in R&D). Cat Financial has also been a great add to our portfolio that helps us through the cycles. And while it is a hard concept to understand as leaders in the business, I would ask you to embrace the trough – embrace it as an opportunity to improve the business and better position it for the long term. Also, understand that as a leader, there are many things you can do to dampen the impact of cycles and have “industrial strength” through the troughs. Stay focused on getting your products OPACC positive, drive a higher share of positive OPACC PINS and POPS, continue to drive Engineered Value Chains (we have exacerbated

the cycles in the past), never lose focus on the two most important numbers (sales to users versus production levels – it's where the truth lies), and understand your period cost flexibility (keeping it in mind during good times will serve you well in bad times). Yes, troughs have been and will remain a reality of the business. I've often said that one measures their career at Cat by how many troughs they've survived – I'm a 5-time survivor. I have no doubt that you will continue to survive them going forward, especially if you embrace the trough.

“I would ask you to embrace the trough – embrace it as an opportunity to improve the business and better position it for the long term.”

41.

BUILD IT AND THEY WILL COME: We have great engineers who develop great products; however, I have often felt that we have a “build it and they will come” mentality. An example for me was the K-series medium wheel loader. Without question, it was a far better machine than its predecessor; however, as we introduced the product, PINS remained relatively flat, which we struggled to understand. However, if you have had good luck with your current car and someone develops a new car and promotes great features, more times than not, you will stick with your current model. It’s not enough for us to know we have a competitive advantage versus competition, we have to communicate it and commercialize it in a way that convinces customers and forces them out of their comfort zone to try our products. I remember being with a customer in Tennessee who was considering the purchase of a couple of excavators and was considering Cat, Komatsu and Hitachi. As we discussed our product and premium, I asked him how much credit he was giving us for our fuel efficiency advantage. The customer responded, “All of you profess a fuel efficiency advantage, and I don’t have the time to prove it out.” When I asked, “What if we guarantee the fuel efficiency,” he said, “Now we have something we can talk about.” Don’t only develop and build great products. Find a way to communicate and commercialize it.



42.

FIRST REP ASSIGNMENT: There is a document floating around the halls of Caterpillar about 10 Observations from the Field – things a field rep should remember. The original source of the inspiration for the document actually came from advice I received prior to going to the field for the first time. An old timer said there were three things I needed to remember as I moved to the field for the first time as the San Francisco District Manager. He said, “First, never defend an indefensible position – if we messed up, admit it and get on with fixing it. Second, never be afraid to say I don’t know, as the person asking the question may already know the answer and is just testing you. The last thing dealers want is someone who thinks they know it all. Lastly, always follow up, even if it’s just to tell the dealer you are still working it.” Our reps are the torque converter between Cat and dealers. While it can put you through your paces, if you are designed right, you can handle it, and these simple rules served me well. Another lesson from my San Francisco days involves the dealer principal at Holt Bros. (now Holt of California), Ron Monroe. Through the years and job changes, any time Ron would call my office, I would always answer the phone, “San Francisco District Manager.”

I learned early on, he measured the Cat reps by how good of a listener they were. Yes, he expected them to take action, but first he expected them to listen and understand. Ron taught me a valuable lesson about being a good listener, and it works not only in my professional career, but also at home. My wife, Ann, always asks why the kids listen to me, and my response is always the same: "Because I listen to them."



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43.

RELATIONSHIPS MATTER: One of my great bosses was Ron Choate. He taught me a lot about making sure you have your concept sold before you go into the meeting. He also used to say, “This is a relationship business; we just happen to sell machines, engines and parts.” You will find that relationships can be built during good times, but they are actually solidified in the toughest of times, because enduring relationships are grounded when they are established with a purpose and a heart. Helping customers through tough parts of the cycles has built loyalty through the years. Standing behind our product when we have quality issues gives customers the confidence that we are in it for the long haul. Our approach to managing our relationships with our bankers is why they stood with us during the global financial crisis. Helping out a colleague during a tough time or when help is needed on a tough project forges relationships that stand the test of time. Right or wrong, Caterpillar is a network-based company, and the strength of your network is in direct proportion to the strength of your relationships. Relationships are not grounded on a slap on the back or round of golf. They are built with a purpose and grounded when people know you really care.

44.

LOOK TO YOUR NEIGHBOR. Benchmarking is key to continuing to drive improvement in the business. It should always be done with a purpose -- focus on one to two aspects of the business that you really want to improve. While the tendency is to always want to look outside for benchmarks, don't forget to look to your neighbor. I remember being in a leadership session, and a young employee asked how I competed with my peers and got ahead in my career. My response was that I never competed with my peers — I just stayed focused on the problem we were trying to solve and then leveraged resources from across the enterprise to get it done. In numerous cases, the answer to the problem actually lay in what had already been done in another division at Cat. I learned a lot about safety from ACSD, turnarounds from BCP and IPSD, Lean from Grenoble, quality from Cat Japan, leadership development from Electric Power, how to be customer centric from Solar, etc. Yes, look outside for benchmarks, but don't forget your friendly neighbor.

45.

UNPACK YOUR BAGS: One of the great opportunities at Caterpillar is the ability to live and work around the world. However, at times, my sense is people don't take full advantage of it. During my time in Geneva, I met a young couple that had just moved to Geneva. When I asked them how it was going, the wife responded, "We are here on a three-year assignment, and we will make it work." About six months later, I ran into them at a wine tasting and asked how things were going and her response was, "We are six months into the 36 months assignment." My response was, "Please don't look at this as a prison sentence." I cannot recall any ISE returning home and later regretting that they got too involved in the local community where they had moved. Embrace your moves around the world, get involved in the community, vacation locally versus just going back home and unpack your bags. If you really want to fully embrace the local culture, learn the language. I have few regrets, but one of them is not learning French. So, when taking on a new job or moving to a new location, unpack your bags and get the most out of the assignment and life.

46.

WHEN ALIGNED, IT IS A BEAUTIFUL THING: When Caterpillar is aligned, we can do things no one else in this industry can do. When we are misaligned, we can waste more time, effort and energy than any company I've come across. I have seen great examples of both – on the negative side was our execution of Tier 3 (quality and cost suffered) versus demonstration of what we can do when aligned like Tier 4 (improved quality and fuel efficiency while meeting stringent EPA requirements). Alignment doesn't mean the "center" comes up with the plan and everyone falls in line. It means that you get the key players involved around one table, clearly define what problem you are trying to solve and then have the open discussion and debate on the best way to do it. I witnessed this first hand with the collaboration between ACSD and the Resource Industries and Construction Industries vice presidents, which led to alignment on the make/buy strategy, which allowed clarity on plans for the manufacturing footprint and alignment on what key technologies in which we were going to invest. I've always maintained that reasonable people, when presented with reasonable facts, make reasonable decisions. As leaders, our job is to secure this alignment. Without it, we don't leverage our size and scale advantage and leave our people in a constant state of flux. With alignment, we can do what no other company in this industry can do.

47.

IN THE TOUGHEST OF TIMES: One thing I have come to understand over my career is that we all find out who we are in the toughest of times. Yes, it takes talent to manage an upturn, but real leadership is demonstrated when times are tough. As my career is coming to an end, I am not reflecting on the years of record sales and profits. I think back to the days as the San Francisco district manager when the industry dropped 50 percent the first year and 25 percent the following year, to my time in Johannesburg, South Africa, when we had to manage through the transition to the Mandela government, not knowing which way the country would go. I recall the challenge and complexity of launching the euro in my days in Europe. I fondly recall the turnaround of the BCP business that was started during my days, but carried through and finished by those that followed. And perhaps my favorite memory is my days in the finance side of the house during the global financial crisis ... it was in October 2007 when our Chairman and CEO, Jim Owens, called me one Wednesday night and said, "Do you have your helmet on?" When I asked him what he meant, he said he was "putting me in the game" and the board had approved my move to the Executive Office with responsibility for the finance side of the business. I quickly reminded Jim that while I had a finance degree I had never worked in finance. I'll never forget his response: "Don't worry,

you are a quick learner.” Little did I know that less than a year later the world financial markets would literally collapse into the global financial crisis. Customers were cancelling orders, our balance sheet was stretched, bond markets were shutting down, commercial paper was tight, and we had a captive finance company with a \$30 billion portfolio. While I was new to the world of finance, I was not new to taking on tough challenges, and I simply deployed the formula I had learned along the way – have a clear definition of winning, pull together the right team of people, identify the key work streams that must be executed and drive a focused execution model. We used to say, “Remain calm, do not

stand up in the canoe,” – meaning stay focused, don’t panic. And with the great support from my colleagues, that is exactly what we did under the banner of Project Stay Strong. Throughout my career, although there were great years of record sales and record profits, for me, 2009 will always be the all time great Caterpillar performance. While the industries we served dramatically declined, we delivered on our definition of winning – stayed in the black, maintained the dividend and protected our credit rating. We stayed strong. As I have received notes from Caterpillar colleagues around the world on my announced retirement, many of the notes concluded with “Stay Strong.”

48.

STRIKING THE BALANCE: I've had the good fortune of great mentors throughout my career. Perhaps none had a greater impact on me than Bob Sulaski, one of my first supervisors. He convinced me to stay at Caterpillar during the tough times in the early 1980s and always impressed upon me the need to have great balance in one's life — a great career, but also a great family life. I've tried to pass on his wisdom, and on a regular basis, I tell young professionals, "If you spend your career pursuing your professional goals at the expense of everyone and everything else, you may achieve a lot professionally, but as you draw to the end of your career, you will find it to be a shallow victory." I've always understood that upon my departure from Caterpillar, I will no longer have the office, the administrative assistant, or someone picking me up at every airport I travel to around the world. I will simply transition into being just a normal member of society and that is just fine with me. As you try and strike the balance, I have always recommended three simple steps: (1) plan your personal life with the same rigor and discipline as your professional life or your personal life will suffer; (2) remember it is not about doing less work; it is about doing the work you do more efficiently; and lastly,

(3) be a corporate athlete. While I take great pride in what I have accomplished at Caterpillar, it pales in comparison to the pride I take in what my wife, Ann, and I have created as a family and the impact we have had on those around us. Like my current situation demonstrates, at some point in time, life will throw you a curve ball, and it takes good balance to hit a curve. So keep life in perspective; strike the balance.



“If you spend your career pursuing your professional goals at the expense of everyone and everything else, you may achieve a lot professionally, but as you draw to the end of your career, you will find it to be a shallow victory.”

49.

WE'LL BE JUST FINE WITHOUT YOU: Early in my career I took over a division that had incredibly low engagement, and I put tons of effort into improving the situation and saw engagement scores soar over a three-year period before moving on to a new job. A year after I departed, a colleague stopped by and told me engagement scores in my old division had dropped 20 points and that it must make me feel good that things weren't the same without me. It hit me hard, and I realized the failure of my leadership. It humbly reminded me that it is never about the individual, it is always about the enterprise. A leader at Caterpillar has two obligations – leave the place better than you found it and in more capable hands. If you do your job well, when you move on, the words you should hope to hear are “We’re really going to miss you, but we will be just fine without you.” I really do think I have worked hard, been supported by great people and left the place better than I found it, and I certainly know I am leaving it in more capable hands.

50.

TIME GOES TOO FAST: Let me conclude with one last lesson learned. In the first two weeks I was at Caterpillar back in 1979, two employees received their 30-year pins. I turned to Mike Johnson who sat next to me and said, "There sure are a lot of old people around here." And in a flash, I now have almost 37 years with a company that I've loved working for. A few years back, I remember getting away for a long weekend with the family and in no time the weekend was over – time just went too fast. When our son Jay took me to the airport, I complained about the speed at which the time had gone and asked how I could possibly slow time down. He looked at me, smiled and simply said, "Stop having so much fun." He said the slow days are when you are doing something you don't enjoy. I reflected and said, "Slowing down time isn't worth the price." Throughout my career I have been having fun, because I've had the opportunity to work with great people (including dealers and suppliers) and serve great customers who really do make progress possible. No, I won't miss the travel, calls at all hours of the day, constant flow of email or tough calls, but I will desperately miss my trusted colleagues and dear friends.



Unfortunately, the lessons learned outlined above were in most cases painful lessons learned. However, it is a stark reality of leadership: you learn the most and find out who you are in the toughest of times. I don't assume for a minute that you will avoid all the mistakes I have made along the way. When our son was in high school, we were having a discussion while playing basketball in our driveway. He just didn't seem to be heeding the advice I was giving about being more focused on school, and I asked him why it is so hard to learn from his mom and dad's past experiences. He responded, "Did you become who you are by having someone tell you about life or experiencing it on your own?" I didn't have a good response, so I just said, "Pass me the ball." Consider the above my "passing the ball" to you on a few lessons learned through the years. I have no doubt that each of you have learned a few lessons along the way as well. Take the time to put it down in writing for the next generation of leaders.

Take care, my friends —
Stay Strong.

Ed Rapp



ED RAPP



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