



# 2003 Award Winner

## Caterpillar Financial Services Corporation U.S.

With total U.S. assets exceeding \$14 billion and managing more than 100,000 contracts monthly, Caterpillar Financial Services Corporation U.S. (CFSC) is the second-largest captive-equipment lender in the United States. With a U.S. workforce of nearly 750 employees, CFSC has more than \$1 billion in revenues as the financial services business unit within Caterpillar Inc., a manufacturer of construction and mining equipment, gas and diesel engines, and industrial turbines. Based in Nashville, Tenn., CFSC was incorporated in 1981 to finance Caterpillar's lift trucks. By 1985, the company was providing financing for the complete line of Caterpillar products as well as financing services to users and dealers of Caterpillar equipment and the Caterpillar Business Units. From 1998 to mid-2003, CFSC has increased assets 34 percent and profit 54 percent while industry performance has declined 21 percent and 35 percent respectively. CFSC has maintained strong ratings from the top three credit rating agencies.

## Never-Ending Journey to Excellence

As a service organization based within a large manufacturer, Cat Financial measures its success by the success of Caterpillar and its customers. That is why CFSC



### Highlights

- CFSC's total contribution to Caterpillar Inc.'s total earnings has increased from 5.6 percent in 1998 to more than 25 percent in the first nine months of 2003.
- Customer satisfaction levels exceed industry and American Customer Satisfaction Index world-class benchmarks.
- CFSC's 6 Sigma improvement efforts have led to significant after-tax savings since the company embraced the methodology in 2001.
- In 2002, 80 percent of employees said they would recommend CFSC as a good place to work. The national norm is 55 percent.

decided early on that "excellence" was going to define the company's culture and be its guiding principle. Today, CFSC's business model integrates excellence into its vision, mission, six critical success factors, and shared values.

Tellingly, customer satisfaction and employee satisfaction are the first and second of CFSC's critical success factors. The others are growth, leadership, reliable returns, and world-class core processes. Leaders, managers, and employees work together to develop key business strategies and annual plans linked to these six factors and performance in these areas is continuously monitored.

True to its mission of "helping Caterpillar and our customers succeed through financial service excellence," CFSC maintains a constant focus on process improvement. Tools such as 6 Sigma, a highly disciplined, data-based methodology, help CFSC prioritize and manage projects, design products, and improve processes. Ninety-seven percent of employees are trained in 6 Sigma procedures for designing new processes, called DMEDI (Define, Measure, Explore, Develop, Implement), and for improving existing ones, called DMAIC (Define, Measure, Analyze, Improve, Control). Specially trained employees called Black Belts, experts in the 6 Sigma process and team facilitation; Green Belts, subject matter experts; and Yellow Belts, trained in basics of 6 Sigma, comprise teams of employees that implement these procedures.

Since 1993, CFSC also has been using the Baldrige performance excellence criteria as the overall framework to assess the organization and guide improvement efforts. Other improvement and analysis tools include a four-year strategic

plan, a one-year tactical plan, and a balanced scorecard of measures to assess organizational performance.

CFSC's 6 Sigma improvement efforts have led to significant after-tax savings since the company embraced the methodology in 2001. From 1997 through mid-2003, productivity improved by more than 10 percent and the current level of performance is nearly 35 percent better than the average of the industry's top 100.

## Investing in Technology

Handling over 100,000 contracts monthly and working with customers and equipment dealers who demand accurate, timely, complete, and responsive service have led CFSC to invest in leading-edge information-management systems and hardware. The company was one of the first in its industry to launch three Web-based services available 24/7: *FinancExpress*<sup>SM</sup> helps to streamline financing by automating quotes, credit approval, and document preparation; *AccountExpress*<sup>SM</sup> gives customers and dealers online access to accounts; and *CustomerExpress*<sup>SM</sup> provides employees and dealers one convenient portal to customer information. All employees have access to these services through either a networked desktop or laptop personal computer.

While access to data is necessarily liberal, it also is tightly controlled. Full-time security coordinators carefully manage the processes for granting access and quickly remove rights no longer required. Other systems and programs are in place to ensure information integrity, accuracy, and reliability and to protect confidentiality.

Investments in technology along with a continuing focus on excellence and process improvements are helping CFSC achieve its corporate vision: "to be a significant reason why customers select Caterpillar worldwide." Seventy-nine percent of customers considering the purchase of Cat equipment say that CFSC products and services favorably influenced their decision. Research also verified that CFSC exceeded customers' expectations twice as often as competitors. Only 1 to 2 percent of customers were dissatisfied with the service or options they received from CFSC.

Satisfaction of end users, one of three key customer groups, has increased from 89 percent to 93 percent over the past five years in the Equipment Division. User satisfaction with Loan Origination in the Marine Division, which was already high at 91 percent, increased to 97 percent from 1999 to 2002. In the Power Division, satisfaction rose from 90 percent in 2002 to 93 percent in 2003. These levels of performance exceed industry and ACSI (American Customer Satisfaction Index) world-class benchmarks.

## Environment of Growth and Achievement

Employee satisfaction is second only to customer satisfaction as a critical success factor, even ahead of growth and reliable returns. This is evident in the company's

commitment to professional development—more than \$2 million was spent on training in 2003. Investment in employee recognition programs, such as Eye-on-Quality Awards and Cat Bucks—which allow employees to instantly recognize other employees—has increased by nearly four times, from \$84,000 in 1999 to \$263,000 in late 2003. CFSC also recognizes employees with incentive pay, which is paid quarterly and directly aligned with company goals.

Improvements in employee satisfaction are helping CFSC meet its strategic goal of attracting and retaining skilled employees. The overall Employee Satisfaction Index has risen from 67 percent in 1995 to 89 percent in 2003. Employee satisfaction with the job exceeds the financial services norm and is consistent with the score achieved by best practice organizations. Employee retention has improved four points to 94 percent since 2000, with the current level of performance significantly better than the top quartile comparison. In 2002, 80 percent of CFSC employees recommended the company as a good place to work, up from 67 percent in 2000.

CFSC is committed not only to employees' satisfaction, but also to their well-being. An on-site, fully staffed fitness center is used by 60 percent of CFSC employees. Ninety-three percent of employees participate in the Caterpillar Healthy Balance program, which earned a national C. Everett Koop Award for Wellness Promotion in 1999 and the Wellness Councils of America "Well-Workplace Award" in 2002.

## Caring for Others

As part of its shared value of "caring for others," CFSC provides assistance to both local and international organizations, including The United Way, the Red Cross, and the Salvation Army. Giving to the United Way exceeds \$300,000 annually, earning the company that organization's highest honor, the Iris Circle Award. Four times a year, Cat Financial hosts blood drives, which enable the Red Cross to assist more than 4,000 patients. More than 150 gifts for children and the elderly were provided through the Angel Tree program. CFSC also fosters professional development of local youth through support to Wharton Elementary School, "Exchange City" which teaches about business and free enterprise, and the "School to Work" program for high school students.

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(Note: Information in this profile of CFSC was current as of May 2003.)