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*by Zzz Zzz*

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Caterpillar Strategic Plan

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### 3 Strategic Plan: Implementation Plan, Strategic Controls, and Contingency Plan Analysis

#### **Introduction**

Caterpillar Company, or Caterpillar Inc., designs, engineers, manufactures, develops, markets and sells engines and machinery (Hollingum, 2015). It does this through a dealer network that spreads worldwide. It is the Dow Jones Industrial Average and has subsidiaries in finance, insurance, logistics and even marine power systems.

#### **Importance of Strategic Implementation Planning**

Strategic planning is the systematic and formally process which is documented in making the handful of most key decisions in which an organization like Caterpillar Company viewed as a corporate whole, is mandatory that it gets in order so that it can thrive in the coming few years. Such decisions likely to call for strategic are the kind that can easily affect the performance of the organization for several years. Therefore there's need to find a link between over the performance of a company over a period, for instance, three to six years and strategic planning is very necessary and helpful.

Strategic planning is very beneficial to a company such as Caterpillar at its corporate level and others. The following are some of its benefits. A consensus on the company's key issues and the strategies needed to address them, commitment in the implementation of the strategies put in place, building of capability within the organization, communication of the company's priorities, cooperation among the individuals that are charged with achieving the strategic objectives and goals as well as, controlling of strategic initiatives. With all these benefits in lace due to strategic implementation in a company, the company is guaranteed to improve its performance in a given period.

#### **Caterpillar Company Implementation Plan.**

## Objectives

Implementation of the strategic goals and objectives of Caterpillar Company must be performed in a well-organized manner. This is because a detailed implementation plan will help Caterpillar Company to maintain a specific approach which is aligned with its mission, vision as well as its corporate values. The objective of the implementation plan put for Caterpillar has educated its employees and workers on their different roles within the big strategy as well as define the necessary functional tactics and action items which will lead to its strategic success in the long run. The most important part of the entire implementation plan is communication. Employees at Caterpillar Company are over twenty thousand as well as its worldwide services to provide heavy machinery to farmers and other companies (Milgrom, & Roberts, 2013). The wide location of his company requires it to have a solid communication system to ensure all employees are on the same page. The main objective of this is keeping all employees as well as workers focused on their functional tactics and to make sure they are well rewarded for the contribution they put in the strategic success of the company as a whole.

## Functional Tactics

Functional Tactics: These can be described as the short-term choices made to move a company towards its mission. All employees within the Caterpillar Company will have particular tasks that will be assigned to them which will eventually contribute towards the grand strategy innovation. This then creates an organizational structure which is defined through the commitment of innovation as well as forward thinking. These will, therefore, motivate employees and workers at all level in the contribution of suggestions that will build a better services system which will create unique experiences for the customers.

## Milestones and Deadlines

Milestones and Deadlines; Setting of precise deadlines as well as corresponding milestones will help Caterpillar Company achieve its objectives and goals within a certain period. The current deadline put in place for the current strategic plan is set for the end of the financial year 2017. Within this given timeframe several milestones were created, and some are still being created to break the strategy plan down into sections that will make it easier to achieve. For instance, there is a quarterly review of performance which is conducted in all operational departments. This allows all individual departments to focus on short-term goals which can readily be achieved (Milgrom, & Roberts, 2013). It is believed that setting goals too far away into the future does not provide the same motivational benefits as compared to what a near future will reward. By the time the financial year of 2017 has been attained, Caterpillar Company must have completely new as well as enhanced machinery and equipment which will easily attract new customers and clients from highly diverse backgrounds.

#### Strategic Controls and Key Success Factors

Strategic controls are mainly designed to track company's performance as well as create safeguards during the implementation process of the plan. The very first control that Caterpillar Company should implement is a constant surveillance of the management effectiveness progress. The personnel responsible for achieving certain strategic objectives must be held accountable for the decisions they make. At the executive management level, the person making decisions must show that certain objectives and goals were achieved within a predefined period. To add on to this, their subordinate staff must have a clear vision of the roles put on them within the strategic plan. Whenever mid-level managers do not clearly understand their responsibilities within the strategic plan, it will indicate a failure in communication at the executive level. Caterpillar's board of directors should therefore

conduct performance reviews regularly to be able to measure the effectiveness of the leadership in the company regarding its strategic planning.

Profit at the Caterpillar Company is realized when the company sells high-quality heavy machinery and equipment as well as offering good services to their customer (Cooper, 2015). Failing to improve the quality of their products will outright diminish revenues for the company because customers will opt to purchase machinery from other competitive companies that may be producing better quality machinery and also offering good financial services to their customers. It is also very important to keep the production costs as low as possible. When Caterpillar Company focuses on product innovation, there will be an increase in spending. However, it will help in improvement of efficiency all through the organization. There will be an overall increase in the rate of profits which is the desired outcome for implementing this particular strategy.

#### Forecasted Financial Statement, Budget, and Break even Chart

	2017	2016	2015
Net Revenue	\$4,985,000	\$4,725,000	\$4,253,337
Total Expenses	\$4,215,000	\$4,123,000	\$3,897,898
Net Income	\$770,000	\$602,000	\$553,002
Earnings per Share	5.68	3.96	3.64

Based on the forecasted financial analysis the Caterpillar Company will have to make an investment that will total to \$544,000,000 in new and upcoming strategic initiatives as the year 2017 comes to an end. For this to be considered a financial success for the company, it should result in growths rates which will be greater than or even equal to the growth rate in the expenses. The difference between the net expenses and the net revenues is illustrated properly in the earnings per share table. It is expected to grow from 3.64 in the year 2015 to

5.68 in the year 2017. When this is achieved, it will add a strong growth degree to the overall value of Caterpillar Company.

### **Risk Management and Contingency Plan**

There are several risk factors which must be considered when implementing the strategic plan (Ghoshal, 2014). The most striking risk during the implementation of the strategy plan is the potential that customers may not react in the desired manner to the new and improved products developed by Caterpillar Company. The company considered this risk in the 2014 annual report. The company showed its fierce competition that it faces as a brand from the many competing companies in the industry. If the company fails to offer superior machinery and equipment to the customers, then it causes failure to the strategic plan. However, it is possible to overcome this risk through product testing. Caterpillar Company has very wide and large customer base; it can, therefore, test new farm machinery and equipment which will allow the company to test various alternatives whenever it is necessary. Another risk faced by Caterpillar Company is the potential of losing Title IV financial aid eligibility. Such an occurrence can bring about an immediate and irreversible revenue losses which will change the scope of the strategic plan completely. Utilizing a team of auditors as well always monitoring as well as testing compliance with the federal regulations as well as reducing the possibility of negative penalties from regulators.

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