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2011

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Recommended Citation
Hatch, Rachel, "Caterpillar's CFO Edward Rapp Addresses Associates" (2011). *News and Events.* Paper 1714.
http://digitalcommons.iwu.edu/news/1714

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Caterpillar's CFO Edward Rapp Addresses Associates

May 19, 2011

BLOOMINGTON, Ill. – The Illinois Wesleyan Associates heard the story of how one global company survived its toughest year as they gathered for their annual luncheon on Thursday, May 19, at the IWU Shirk Center.

Edward J. Rapp

At the luncheon, Caterpillar, Inc. Group President and CFO Edward J. Rapp shared the journey of the company through the rough year of 2009 with a speech titled "Stay Strong: Managing Health through the Global Financial Crisis." Rapp said Caterpillar, Inc. navigated the rough financial climate with a model he compared to the Boy Scouts: always be prepared, have calm and effective leadership, and have the courage to lead.

Be Prepared. Business is going to have fluctuations, said Rapp, who noted Caterpillar's economists foresaw possible financial challenges coming several years before the 2008 collapse. "So we spent from 2005 to 2007 in what I like to call 'trough management,' or asking ourselves 'What if the market comes apart?'" The fall of 2008 showed just what could happen to the market, exceeding everyone's fears. "Between 2008 and 2009, we had the largest year-to-year decline in sales in company history," said Rapp. "But because we had a plan, it changed the debate. We were not talking about what to do, but which trigger to pull at what time."

▷ **See Related Story**: While at Illinois Wesleyan, Rapp told the **Associated Press** that Caterpillar believes the American economy isn't far from taking off again.

Remain calm. "In a crisis, do not stand up in the canoe," Rapp said, noting business leaders find out who they are during tougher times. "It was important for us to communicate to our employees that this was not the first group of Caterpillar leaders to face difficult times," said Rapp, noting the company had survived the Great Depression and World War II. "We also tried to emphasize to our leaders that, when things work against you, you are not a victim. You are a leader, and it is your job to lead others through this time."

Have the courage to lead. Rapp relayed a favorite saying within the global company of Caterpillar. "The road to progress begins with a road, period," he said. Operating in countries all over the globe, Rapp said Caterpillar continued throughout the crisis to provide equipment that helped build infrastructure in growing nations such as China, Brazil and India. "When you make tough decisions in tough times, make sure you always keep an eye on the future," he said, adding, "and we did have to make tough calls." The year 2009 still meant billions of dollars less in revenue for the corporate giant, and the company faced workforce cuts, which Rapp called "by far the hardest thing you have to do as a leader. But you have to always remember the long-term vitality of the enterprise, or else you put the entire workforce at risk."

Rapp responded to questions from the audience, including a query about the "hot spots" in the global market development. Along with listing areas such as China, India, Brazil and parts of Africa, Rapp also mentioned looking closer to home. "From a company standpoint, we refuse to believe we cannot compete and win from a U.S. base," he said.

Born and raised in the Midwest, Rapp told the audience coming to Bloomington was a lot like playing a home game, and spoke of his familiarity with the city through his work in Junior Achievement and Easter Seals. He applauded the efforts of the Associates to assist students from the area to achieve their educational dreams. “We are incredibly blessed, and I think we have an obligation to give back,” he said.

The Associates, founded in 1953, consists of business and professional leaders interested in the advancement and support of private higher education. “Our goal is to raise money and provide opportunities for students in McLean County to attend Illinois Wesleyan,” said Associates President Willie Brown, who noted 155 McLean County students received assistance through the Associates last year. “Each of you help students reach and develop their full potential. We could not do this without your support.”

One of those students helped by the Associates is Illinois Wesleyan senior Ara Holiday of Lexington, who also spoke at the luncheon. She shared her personal story of loss – talking of her father’s death when she a teenager – and her joy at the assistance she received that allowed her to attend Illinois Wesleyan. “I owe a lot to you, the people who have provided the support to students who might not be as fortunate as others,” she said. “So on behalf of myself and all the students you support, I thank all of you, with all of my heart.”

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