

The American manufacturing
company which is no.1
in the world in Engines

By

Ramki

The statistics-Cummins USA

- Turnover \$19B
- Profit \$1.6B
- Increase in Turnover/profits from 2013: 11%
- Profits to Equity 21%
- Ten year return to investors 23% (Rank14-Fortune 500)
- Employees 55k (63% outside USA)
- Countries where it operates 90
- Turnover outside of USA 50%
- Fortune 500 rank 154 (appeared every year since 1955)
- Makers of best engines in the world!

How do they do it?

- Constant growth overseas
 - Joint venture model overseas
 - Each region of the world develops its own product suited to local needs
 - Each region develops leaders
- Takes care of workers/Trains them well
 - Pro-union!
- CSR
 - Corporate citizenship and future strategy work together
- Works with Environment protection agency to develop next generation standards- threat as opportunity
- Huge R&D budget
- Great IT systems

Constant growth overseas

- Serves customers in 190 countries with production foot print that spans 80 plants around the world
- First overseas factory In 1956 in Scotland!
- In 1964 a 50:50 JV in Pune, India-decades before US companies thought of India!
- 1975 visited China
- By 2005 China and India alone generated \$1.9 B in revenue
- As developing nations improve their own clean-air standards, Cummins well poised to take advantage
- **De-risking geographical hiccups-** as sales dropped in China/Brazil recently, US demand picked up!
- Emerged from Great recession unscathed due to global spread!

JV model of overseas growth

- Caterpillar which acquired a company in China had to write down \$580M after they found lot of 'accounting misconduct'
- Cummins always has a 50:50 JV with a local partner who understands the market /country well
- Reduces risk
- This helps develop local talent also

Glocalisation

- Cummins does not take products made for USA and tweak them for foreign markets (called 'de-contenting')
- It develops products for the local needs
- This leads to new products for export e.g.
 - ISF 2.8 liter engine developed for China, works perfectly for US pick up trucks!

Take care of workers

- J.Irwin Miller who was at the helm from 1944-1977 told Fortune in 1957: “I would not know how to run a big company without a strong union”
- A leadership development program for 18 months trains 15 promising employees from other countries to become future leaders!

CSR

- Cummins invests a lot in local communities
- Cummins foundation sinks millions into local schools etc
 - They have an engineering college for women in India with 1800 students!
- Columbus where Cummins operates is one of the greatest concentrations of modern architecture in USA
- In 2012 after a recycling project was rejected by Columbus city council, Cummins led consortium paid for the capital cost of the program!

Environment protection

- The best example of treating threat as opportunity
- Decided to work *not* against Environmental protection agency but *along with* it!
- Set out to become the first diesel company to hit EPA targets
- Result- new technologies like 'deep spray injection' which reduced emissions without sacrificing efficiency!
- Has a 41% market share on after-market components that lower emissions **on other companies' engines!**
- Works closely with the agency (EPA) on next gen standards!
- Robust HMEMS (Health, safety, environment management system)
- "In its own plants the plan includes objectives for increasing the company's recycling rate and for reaching "Zero Disposal" status at 30 sites by 2020, where 100 percent of waste will be recycled in a useful manner. "

Huge R&D

- Between 2002- 2007 boosted annual R&D spend by 60% to \$321M!

Great IT systems

- Implemented Apriso global MOM system
- Got top manufacturing IT award at 2011 European manufacturing strategies summit
- What the Apriso system did (as claimed):
 - 90% reduction in customer defect claims
 - 25% improvement in production throughput!
- Great ROI from IT!

Awards galore!

- Named the 2013 “Newsmaker of the Year” from Diesel Progress North American magazine for introducing a broad range of on- and off-highway engines and power systems;
- • Fitch Rating Services grades the company as “A” for Long-term Issuer Default and long-term debt ratings;
- • For the sixth consecutive year, the company was named one of the world’s most ethical companies by The Ethisphere® Institute;
- • Awarded a perfect score in the 2013 Corporate Equality Index by the Human Rights Campaign, as part of its “Best Places to Work” initiative;
- • The first to receive certification from the Environmental Protection Agency (EPA), meeting both the 2013 regulations and the new greenhouse gas (GHG) and fuel-efficiency rules for 2014;
- • Named to the Dow Jones Sustainability Index for the ninth consecutive year;
- • Recognized by GreenBiz Group and Trucost as a “Natural Capital Decoupling Leader” within the Natural Capital Leaders Index (one of only 34 companies that increased revenue while decreasing natural capital impacts over the most recent five year period);
- • Cummins Power Generation received EPA Tier 4 interim certification for the North American market three years ahead of the deadline;
- • Named one of the top 25 supply chain companies by Gartner in 2013;
- • Named one of the Top 50 Companies for Diversity by Diversity Inc., for the seventh consecutive year.
- Continuing the award winning trend in 2014, Jamestown Engine Plant won the Applied Ergonomics Conference International Ergo Cup Competition for the “Ergonomics Program Improvement” category.

Sources

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Fortune 6.15.15
- Apriso_WhitePaper_Roadmap_Global_Manufacturing_Excellence
- RWC Cummins Application
- What Makes Cummins One of America's Best Companies (CMI)