



Cummins Business Perspectives

Purdue University
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What are the issues in coordinating
Global Operations?

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Cummins Global Power Leader

Four Complementary Business Units



**Engine
57%**



**Power
Generation
19%**



**Components
Group
15%**



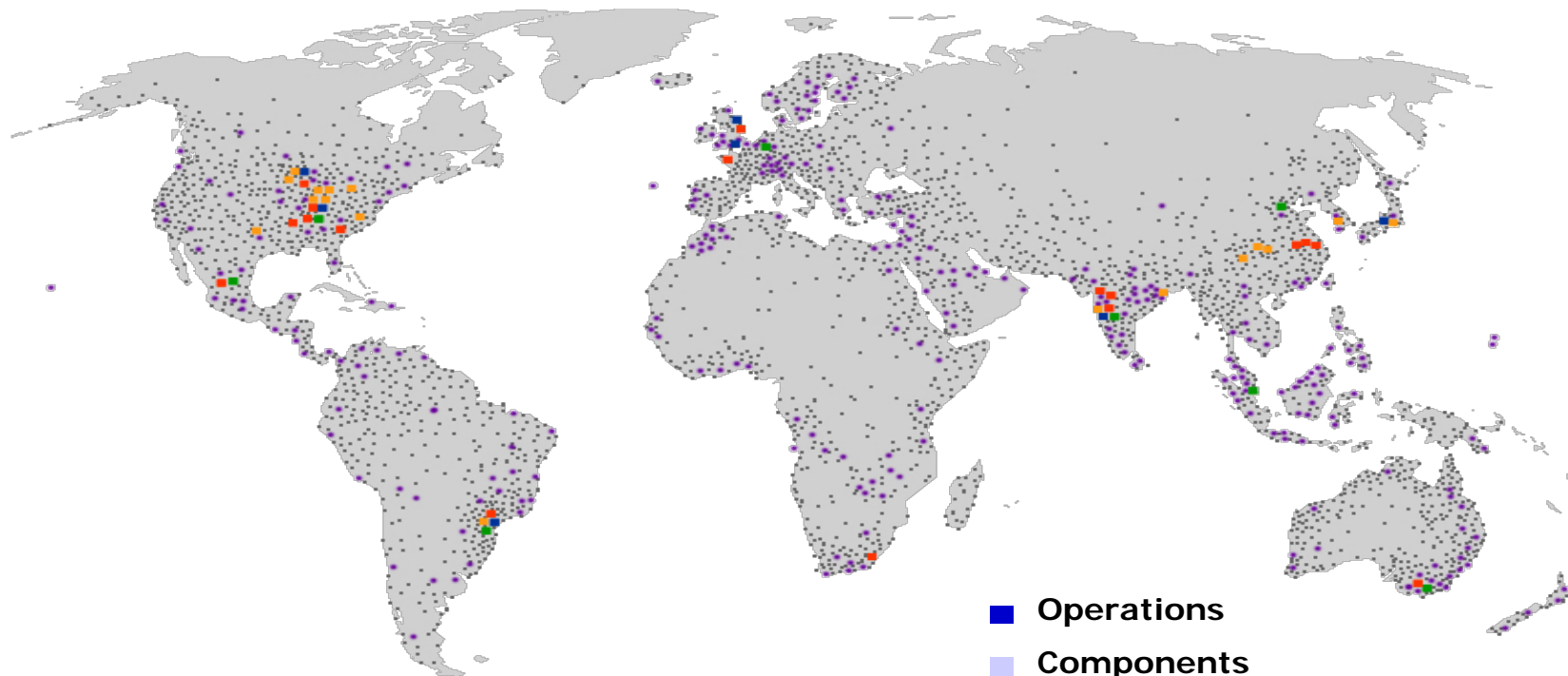
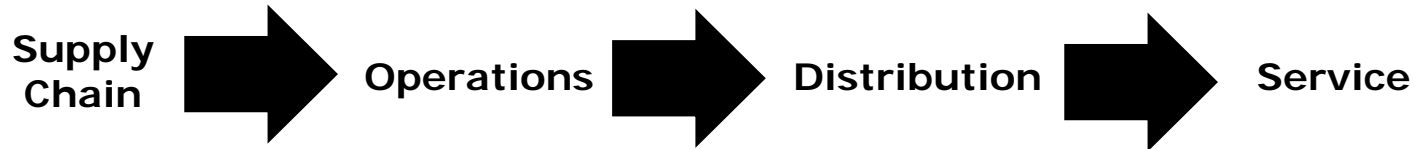
**International
Distributor
9%**

2005 Revenue \$9.9 Billion

**EVERY
TIME.**



Strong Global Position



160 Countries
550 Distributor Locations
5,000+ Dealer Locations

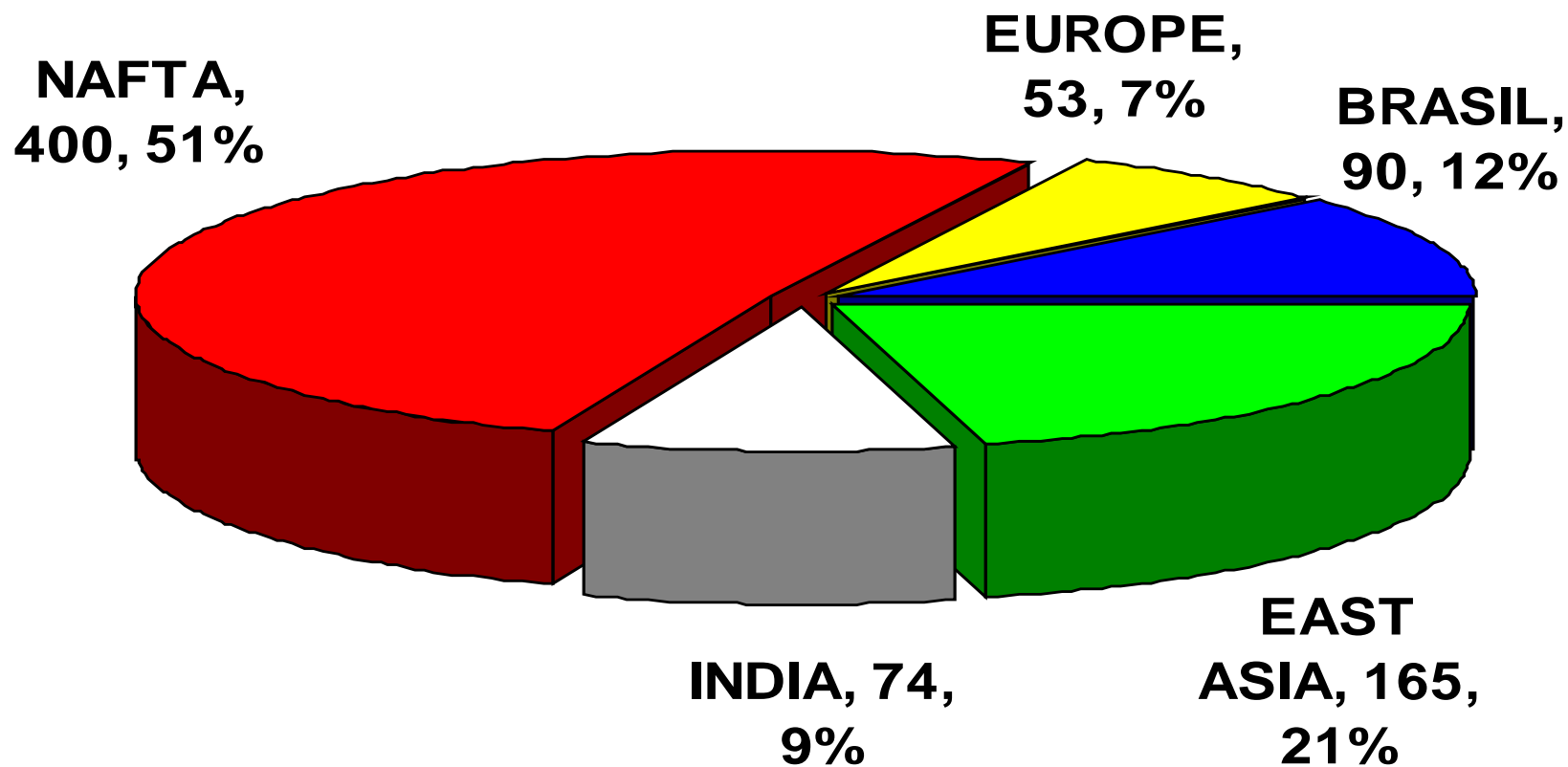
- Operations
- Components
- Technical Centers
- Regional Parts Distribution
- Sales and Service
- International Distributors

**EVERY
TIME.**



2005 Engine Production Includes Joint Ventures (JV's)

Thousands of Engines



**EVERY
TIME.**

2005 – More than 785,000 engines

Why do we need Global Operations ?

- ❑ Key to Global Business Growth
- ❑ Leverage the strengths/costs relevant of each region of the world
 - ❑ Labor, Capital, Knowledge, People
- ❑ Reduce cost of entering new markets
- ❑ Increase speed to Market
- ❑ Transfer Corporate Vision, Mission & Values

Objectives of Global Sourcing

- ❑ Develop suppliers in emerging markets
- ❑ Increase collaboration globally to gain leverage
- ❑ Reduce Cost
- ❑ Align Product Technology and Sourcing Strategies
- ❑ Develop our Procurement/Quality organizations globally

Issues & Risks

- ❑ Technology and Design Control & Protection
- ❑ Communication Gaps – Global Teams
- ❑ Business Control (JV's or Full Ownership)
- ❑ Exchange Rates for Local Currencies
- ❑ Local Interest Rates & Subsidies Programs
- ❑ Transportation & Logistics
- ❑ Emerging Markets' rapid domestic growth filling local supplier capacity
- ❑ Need to meet with Regional Content rules
- ❑ Commodities Price Fluctuation

Reducing Risk

- Use formal and informal processes to protect Design & Technology
 - Select suppliers carefully and use formal selection processes
 - Confidentiality agreements
 - Long term contracts/agreements
 - Strategic supplier relationships
 - Social relationships to build strong business relationships

Reducing Risk

- Improve communication
 - Video-conferences, Common Qtrly meetings, Strategy Sessions, standard systems, etc.
 - Ensure systems are available 24 hrs/day
 - Cultural Awareness

- Closer relationship between Logistics and Sourcing.
 - Streamlined and Global Supply Chain
 - Transportation cost, logistics and TCO

Reducing Risk

- Forge strategic relationships with few suppliers for a long term relationship in emerging markets
- Common Sourcing Philosophy & Integrated Sourcing Strategies
- Identify Financial Risks and establish a planning process to offset risks
 - Commodities
 - Exchange Rates
 - Regional Content