Delivering Value Together to Achieve Competitive Advantage

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Agenda

- Cummins Supply Chain Transformation

- Organization Changes

- Cummins Purchasing Strategies
  - Supplier Risk Management
  - NPD Engagement & Innovation
  - Supplier Relationship Management

- Dependability and Supplier Quality
Cummins Supply Chain Transformation

Working together across our businesses to provide the best supply chain for our customers

DBU  PSBU  EBU  CBU
Our Supply Chain Vision

Establish reliable market driven supply chains to enable profitable growth

**Market Driven**
- Focus on customer requirements
- Alignment of lead times from source to delivery
- Emphasis on globalization

**Reliable**
- Coordinated integration between businesses and functions
- Provides adequate capacity, scalability, speed and responsiveness
- Establishes capacity ahead of demand
- Effectively addresses complexity to significantly reduce risk
Cummins Business Unit Structure Change

2015

Engine | Power Generation | Components | Distribution

2016

Engine | Power Systems | Components | Distribution
Cummins Purchasing Organizations – ABO’s

China ABO Purchasing

EMEA ABO Purchasing

India ABO Purchasing

Latin America ABO Purchasing
EBU Purchasing Team Scope:

Engine Business (HMLD) & Power Systems (HHP)

Forgings

Scott Mann
EBU

Block & Head Castings

Overhead & Power Cylinder

BOF Fuel Systems

Assemblies
Power Systems Purchasing Team Scope:

- Enclosures
- Alternator
- Controls
- Engine
- Controls
- Engine
- Radiator
- Networking & Software
- Transfer switches
- Filters & Aftertreatment
- Alternator
- Skid / Base Frame
- Con O'Sullivan
  Power Systems
Purchasing Requirements

- Supply Chain Excellence requires:

  - Category strategies meet market needs (responsiveness, flexibility, cost, etc)
  - Manage supplier risk proactively
  - Drive aggressive cost management
  - Align category strategies across functions
Purchasing Strategies
Cummins suppliers need to pursue risk management with your tier 1 & 2 suppliers.
Purchasing Strategies

- Functional Excellence
- Early NPD Engagement
- Supplier Risk Management
- Supplier Quality
- Dual and Parallel Sources
- Collaborations & Governance
- Commercial
- Increased Collaboration
- TVP Category Strategies

Foundational
Transformational
Cummins delivers power through our innovation

“...We must recognize when we need to disrupt a market, even when we are the market leader...”

----Jennifer Rumsey, Chief Technical Officer
Cummins needs our supply base to bring innovation and invest in technology development to:
- Sustain our current market leading positions
- Provide opportunities to win new business
Purchasing Strategies

Increased Collaboration

- Functional Excellence
- Collaborations & Governance
- Supplier Quality
- TVP Category Strategies
- Supplier Risk Management
- Dual and Parallel Sources
- Early NPD Engagement
- Supplier Development

Foundational
Transformational
Supplier Relationship Management Theme for 2016

Delivering value together to achieve competitive advantage

Cummins

Senior Sponsor
Relationship Manager
Purchasing, Engineering, IT, Materials, Manufacturing, Supply Chain, etc.
R&D

Supplier

Senior Sponsor
Relationship Manager
Purchasing, Engineering, IT, Materials, Manufacturing, Supply Chain, etc.
R&D

Strategic
Relationship
Operational
Quality
Technology
SGI Engr.
Quality Engr.
Dependability goes beyond product performance or response to a service event. Dependability means the customer can count on Cummins to do what we say we will do.
Improvement has stalled for past four years!
What help do we need from our suppliers?

- All parts meet Cummins Specifications
- Drive strategy to achieve ZERO defects
- Supplier corrective actions expedited
- Invest in world class processes & testing
- “Don’t think low defects, think NO defects!”

ZERO PPM IS ACHIEVEABLE!!
Cummins Expectations From Our Suppliers…

- Make safe work environments for employees a priority

- Drive a zero defect mentality in your company
  - Invest in world class processes and testing
  - Expedite solutions when problems occur

- Mitigate supplier risk in your supply chain
  - Drive risk assessments of your sub-tier suppliers
Cummins Expectations From Our Suppliers…

- Bring innovation and technology to NPD
  - Invest in engineering & manufacturing resources
  - Proactively share new ideas & concepts with Cummins

- Drive continuous improvement in efficiency and productivity to remain cost competitive globally

- Actively engage in the supplier relationship process
Winning at the hand-offs
Obsessed with Quality