

Cummins China Investment Improves Budget Accuracy by More Than 60%



Cummins China Investment Co.,
Ltd
Beijing, China
www.cumminspower.com.cn

Industry:

Automotive

Annual Revenue:

US\$2.3 billion

Employees:

More than 500

Oracle Products & Services:

Hyperion Planning

Oracle Partner:



Beijing Noahark Consulting Co.,
Ltd
www.noahark.com.cn

“We used Oracle’s Hyperion Planning to build a highly efficient budget management system. It provides detailed information on how our businesses use the funds allocated to them and the returns achieved. The system also allows us to create short-, medium-, and long-term budgets that ensure the sustainable development of the company.” – Zheng Yan, Financial Manager, Cummins China Investment Co., Ltd

Cummins China Investment Co., Ltd is a subsidiary of U.S.-based Cummins Inc., a world-leading automotive equipment manufacturer. The company designs, produces, and distributes engines and related technologies, including filters, fuel systems, and air intake treatment systems. Cummins Inc. is represented by more than 5,000 agencies in over 160 countries.

In China, Cummins has a complex business structure that makes it difficult for head office staff to understand the budget requirements of its four units—engines, generator units, automotive parts, and automotive accessories. This affected the ability to create accurate budgets.

In 2007, Cummins engaged Oracle Certified Partner Beijing Noahark Consulting to implement Oracle’s Hyperion Planning as its new budget management system. The system, which combines operations, capital, and investment budgets, provides data that helps staff develop more accurate short-, medium-, and long-term budgets that promote sustainable business growth.

In addition, Cummins has increased the speed at which budgets are consolidated by more than 70% as a result of reducing the amount of manual consolidation by over 40%. The company has also shortened the budgeting cycle by more than 30% and improved accuracy by more than 60%.

Supporting Informed Decision Making

Cummins’ business is divided into four areas: engines, generator units, automotive parts, and automotive accessories. The company must develop budgets for these four businesses, to be used for research and development (R&D), procurement, manufacturing, and sales and distribution.

Key Benefits:

- Increased the speed at which budgets are consolidated by more than 70%
- Reduced the amount of manual consolidation by more than 40%
- Shortened the budgeting cycle by more than 30%
- Improved budget accuracy by more than 60%

The complex structure and myriad requirements made it extremely important for Cummins' management team to collect and analyze information on each area's performance to support effective decision making.

Noahark designed the Hyperion system to include 13 budget categories, including products, assets, suppliers, accounts, currencies, and departments. This enabled the projected and actual budget data to be displayed from multiple perspectives, and ensured managers who need information on a specific activity can access the data they require.

In addition to providing budget data, including the income, cost, profit, and structure of different products, businesses, and units, at the beginning of the year, the Hyperion system displays data on how the budget is used by business units, the deviation between the projected budget and the actual spend, and the difference between the company's operations and best practice.

With this rich information at hand, managers can make decisions in confidence, ensuring Cummins can grow its share of the Chinese automotive equipment market.

Changing the Function of the Finance Department

In contrast to most financial departments, which focus on accounting and financing as their core activities, Cummins' finance team is responsible for managerial accounting. Staff in this department are responsible for supervising the rollout of budgets across the company and ensuring financial data is always up to date and available for senior managers in the form of reports or management proposals.

The Hyperion system makes this possible by giving financial managers access to complete and accurate budget data from multiple perspectives. They can use the system to generate budget analysis reports and provide them to senior managers on demand.

The efficiency of the finance department has also improved, as the Hyperion system has reduced the amount of manual consolidation by more than 40%. This has increased the speed at which budgets are consolidated by more than 70%. The budgeting cycle has also been shortened by more than 30%, and the accuracy of budgets has improved by more than 60%. Staff can now spend time on strategic, high-value work.

Ensuring Sustainable Growth

To ensure it could compete effectively in a fast-changing market, Cummins needed a budget management system that would help achieve short-term objectives and lay a solid foundation for stable development, as well as support long-term strategic goals to realize healthy and sustainable development.

The Hyperion system enables short-, medium-, and long-term budget planning. Short-term budget planning covers a 12-month period and includes R&D, procurement, manufacturing, sales, and human resources. All business unit leaders are appraised on their ability to meet their budget targets.

Medium-term budget planning (or the rolling budget) covers an 18-month period. The performance of business unit leaders in meeting their budget targets over this timeframe is recorded by the human resources department, to be used when considering which executives to promote.

Long-term budget planning covers a five-year period and focuses on strategic investments by business units and how these can be linked to company strategy. The system accommodates business planning, profit and loss, and investment budgets.

These three types of budget plans ensure Cummins allocates its resources in ways that support short-, medium-, and long-term objectives and enable growth to be sustainably achieved.

Why Oracle?

As Cummins has a complicated management structure, the company required a solution that could accommodate its multi-tier business.

“Hyperion Planning’s powerful financial management functions and flexibility met our requirements. We are confident the software will help us realize our management goals,” said Zheng Yan, financial manager, Cummins China.

Why Beijing Noahark Consulting?

To minimize risk and ensure the Hyperion implementation was completed on time, Cummins decided to engage an experienced systems integrator to assist with the deployment.

“We evaluated a range of providers and found that Noahark Consulting showed excellent performance in all the required areas,” said Zheng. “Together with its profound understanding of

the industry, Noahark made us believe that it could meet and even surpass our expectations.”

Implementation Process

Cummins began implementing the Hyperion system in March 2007 and went live in July 2008.

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