# Corporate Governance Of Cummins Inc Company

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Corporate governance is the system through which a company is directed, overseen, and held accountable. It defines the relationship among shareholders, the board of directors, executive management, employees, customers, regulators, suppliers, communities, and other stakeholders. The original essay examines Cummins Inc., a global power-technology company, and asks four questions: how its governance operates, how business connects with society, how that connection affects governance, and how the company compares with global governance trends. Those questions remain the structure of this analysis. The earlier discussion correctly emphasizes the board's independent judgment and Cummins' stated commitment to stakeholders and sustainability, but current governance requires a more detailed examination of board committees, risk oversight, executive accountability, technology transition, ethics, human rights, and the tension between shareholder returns and broader social obligations.

## Explain the Governance Section of the Organization

Cummins Inc. designs and manufactures diesel and natural-gas engines, power systems, components, and newer technologies including batteries, fuel cells, and electrolyzers. Its board of directors oversees the company's affairs, advises management, and represents shareholder interests. Cummins states that directors are expected to exercise sound and independent judgment regarding significant strategic and operational issues. In 2025, the company reported that 91 percent of its eleven-member board was independent, demonstrating a structure in which the chief executive is the only management director or one of very few nonindependent directors (Cummins, 2026a).

Independence is not merely a numerical characteristic. Directors must possess relevant expertise, receive accurate information, challenge management, manage conflicts, and devote sufficient time. A board can satisfy formal independence rules while remaining ineffective if members defer excessively to executives. The quality of questioning, information flow, and follow-up is therefore central to governance.

### Chair and Chief Executive Officer

Jennifer Rumsey serves as both chair and chief executive officer. Combining the roles can provide unified leadership and clear strategic communication, but it can also concentrate authority. Cummins addresses this structure through an independent lead director and a board composed predominantly of independent members. The lead director can support executive sessions, board evaluation, agenda development, and communication between independent directors and management.

There is no universal rule that separating chair and CEO always produces better performance. The governance question is whether independent directors possess effective authority to evaluate strategy, succession, risk, performance, and executive conduct. Investors should examine the lead director’s powers rather than relying only on the title.

## Board Committees

Cummins maintains committees for audit, finance, talent management and compensation, governance and nominating, safety, environment and technology, and executive matters. The audit committee oversees financial reporting, internal controls, external audit, compliance, and related risks. The finance committee examines capital structure, investments, and major financial decisions. The compensation committee links executive pay with performance and oversees leadership and talent matters. The governance and nominating committee addresses board composition, evaluation, succession, and governance principles. The safety, environment and technology committee is particularly important for a manufacturer navigating emissions, product safety, new power technologies, and environmental responsibility.

Committee specialization allows deeper attention, but the full board remains accountable. Climate risk, cybersecurity, supply chains, human capital, and technology cannot be placed in isolated boxes because they affect strategy and financial performance across the company. Committee reports and cross-membership help integrate oversight.

## Ethics and Compliance

Cummins states that ethical behavior and legal compliance are foundations of its governance. Its Code of Business Conduct applies across the organization, and the company reports extensive ethics and compliance training. A code is useful only when employees can raise concerns safely, investigations are independent, discipline is consistent, and senior leaders are held to the same standards as other staff.

Governance should monitor hotline data, retaliation allegations, investigation time, root causes, and whether incentive systems encourage risky behavior. A low number of reported concerns may reflect strong culture or fear of reporting; the number alone requires context.

# Analyze the Connection Between Business and Society

Business and society are mutually dependent. Companies receive legal recognition, infrastructure, educated workers, natural resources, capital markets, and permission to operate. In return, society expects lawful products, employment, taxes, innovation, safety, environmental responsibility, and honest treatment. A company that creates shareholder returns while imposing uncontrolled harm on workers, communities, or the environment does not separate business from society; it transfers cost to society.

Cummins' products power trucks, buses, construction, mining, agriculture, electricity generation, and industrial activity. These products support mobility and economic development while producing emissions and resource impacts. The company therefore sits within a major social transition: customers still require reliable power from established technologies, while governments and communities demand lower greenhouse-gas and air-pollution emissions. Governance must manage both current customer needs and long-term transformation.

## Employees

Employees contribute knowledge, labor, innovation, and relationships. Society expects Cummins to provide safe working conditions, fair opportunity, lawful pay, training, and respect for human rights. The company also needs specialized engineering and manufacturing talent to compete in new technologies. Talent management is therefore both an ethical and strategic governance issue.

Board oversight should examine safety trends, turnover, critical skills, workforce restructuring, inclusion, employee voice, and whether transition plans provide retraining. Short-term cost reductions that damage capability can weaken long-term value.

## Customers and Product Responsibility

Customers rely on engines and power systems for safety, reliability, compliance, and total operating cost. Product defects, inaccurate emissions claims, cybersecurity weaknesses, or inadequate service can affect public safety and environmental outcomes. Governance should ensure that quality and compliance information reaches the board without being filtered by pressure to meet sales targets.

The shift toward connected and software-enabled products adds data privacy and cyber risk. Technology oversight must include secure design, incident response, supplier security, and safe updates throughout the product life cycle.

## Communities and Environment

Manufacturing facilities affect local employment, water, waste, air quality, traffic, and tax revenue. Cummins also supports community programs and states that it considers sustainability and human rights. Philanthropy can create value, but it does not compensate for preventable operational harm. Communities need transparent information, meaningful consultation, and credible response to complaints.

Environmental governance should cover compliance and long-term strategy. Regulations set minimum requirements; climate and resource risks may require action beyond immediate legal obligations. Capital allocation, research, product portfolio, and supply-chain decisions determine whether sustainability commitments are operational or symbolic.

# How Does the Business–Society Connection Affect Corporate Governance?

Social expectations expand the information and expertise required at board level. Cummins cannot evaluate strategy through quarterly earnings alone. It must consider emissions regulation, customer transition, infrastructure for alternative power, energy prices, community acceptance, labor skills, critical minerals, and geopolitical supply risk. These factors affect future cash flows and corporate legitimacy.

The board’s safety, environment and technology committee reflects this connection. Its role recognizes that technical and environmental issues are not secondary public-relations matters. They influence product approval, customer demand, capital expenditure, liability, reputation, and competitive position. The committee should still coordinate with audit and finance because environmental estimates and product risks enter financial statements.

## Stakeholder Engagement

The original essay states that Cummins engages stakeholders in every project. Such a universal claim is difficult to verify. A more accurate governance expectation is that the company identifies affected stakeholders, provides channels for engagement, and integrates material concerns into decision-making. Engagement may include customers, investors, employees, suppliers, regulators, community organizations, and rights holders.

Engagement should not become a meeting held after a decision is final. The board needs information about concerns, tradeoffs, unresolved disputes, and which groups remain underrepresented. Management should explain how input changed a plan or why it did not.

## Risk Management

The connection between business and society appears in enterprise risk. Regulation, climate, safety, ethics, labor, human rights, cyber threats, and public trust can become operational and financial risks. A board should understand risk appetite, ownership, controls, early warning indicators, and scenario results. Compliance risk and strategic opportunity can arise from the same transition. For example, emissions rules can increase cost for legacy products while creating demand for lower-emission technology.

Risk management should not be designed only to protect the company from society. It should also prevent the company from causing harm. This broader perspective strengthens legitimacy and reduces the chance that legal compliance becomes the sole ethical standard.

## Executive Compensation

Compensation shapes management behavior. If incentives focus heavily on short-term revenue and earnings, executives may delay investment, reduce necessary maintenance, or accept compliance risk. Cummins' compensation committee should balance financial outcomes with safety, quality, strategic transformation, human capital, and other measures where they are material and measurable.

Nonfinancial metrics require clear definitions and independent verification. A vague sustainability score can allow discretion without accountability. Clawback policies and stock ownership requirements can align executives with longer-term consequences.

# Shareholders and Stakeholders

The original essay predicts movement from short-term shareholder returns toward long-term stakeholder value. Modern governance increasingly recognizes employees, customers, communities, and environment as essential to durable business. This does not remove the board's duties to the corporation and shareholders under applicable law. It changes the understanding of how sustainable shareholder value is created.

Stakeholder language can become empty when no one can identify how competing interests are balanced. A factory closure may protect company survival while harming a community; a rapid technology shift may benefit climate goals while displacing workers. Governance requires transparent reasoning and mitigation rather than claiming every decision benefits everyone.

# Examine the Future of Corporate Governance Globally

Global corporate governance is moving toward greater expectations for board independence, diversity, sustainability oversight, digital competence, supply-chain responsibility, and transparent executive pay. Investors and regulators increasingly request information about climate risk, human capital, cybersecurity, and governance controls. Requirements differ across jurisdictions, and political debate can expand or restrict disclosure.

The future will not involve one uniform global model. Some systems emphasize dispersed shareholders, while others include controlling families, states, banks, or employee representation. Multinational firms must meet legal requirements in each jurisdiction while maintaining consistent ethical standards across operations.

## Technology and Cybersecurity

Boards need greater understanding of artificial intelligence, automation, data, software, and cyber risk. Directors do not need to become engineers, but they must ask whether technology is safe, compliant, secure, explainable, and aligned with strategy. Cummins' technology portfolio makes this especially important as physical products become more connected and digital.

AI can support design, manufacturing, forecasting, and maintenance while introducing intellectual-property, bias, security, and accountability concerns. Governance should define permitted uses, human oversight, testing, and incident response.

## Climate and Energy Transition

Companies face pressure to reduce emissions while maintaining affordability and reliability. Boards must test transition plans against technology readiness, customer demand, infrastructure, regulation, and capital availability. Unrealistic promises can create greenwashing risk, while failure to prepare can strand assets and lose markets.

Cummins' broad portfolio may provide flexibility across diesel, natural gas, battery, hydrogen, fuel-cell, and related technologies. It also creates capital-allocation complexity. The board must decide which technologies to scale, partner, acquire, or discontinue under uncertainty.

## Board Composition and Diversity

Future governance requires boards with experience relevant to global markets, finance, manufacturing, technology, safety, labor, regulation, and sustainability. Diversity of gender, race, nationality, professional background, and thought can improve debate when members possess equal access and influence. Numerical representation without inclusive board culture will not automatically improve decisions.

Long tenure can provide institutional knowledge but may reduce independence or renewal. Succession planning should balance continuity and new expertise. Cummins' annual director elections and committee evaluation support accountability, but investors must examine actual performance.

## Supply Chains and Human Rights

Global manufacturers depend on suppliers for metals, electronics, components, logistics, and services. Risks include forced labor, unsafe conditions, corruption, sanctions, environmental harm, and disruption. A supplier code establishes expectations, but governance must monitor due diligence, traceability, corrective action, and purchasing behavior.

Pressure for low price and rapid delivery can undermine standards. Boards should ask whether procurement incentives are consistent with human-rights commitments and whether critical-supply decisions are resilient.

# How Cummins Compares With Global Trends

Cummins aligns with several trends through a predominantly independent board, annual director elections, specialized committees, published governance documents, ethics training, human-rights commitments, and a committee dedicated to safety, environment, and technology. Its current committee structure reflects the integration of financial, human-capital, technological, and sustainability oversight. The company also states that it does not use corporate funds for political-candidate contributions, although broader lobbying and policy engagement still require transparency.

The more difficult comparison concerns outcomes. Governance quality cannot be established solely through structure or awards. Investors and society should examine product compliance, safety, emissions performance, workforce effects, supply-chain practices, capital allocation, and whether the energy-transition strategy meets stated goals. Strong policies are necessary but not sufficient.

# Enron and Lessons for Cummins

The original essay uses Enron as an example of governance failure. Enron illustrates the dangers of opaque financial structures, conflicts, weak challenge, distorted incentives, and gatekeeper failure. The lesson is not merely that every board needs independent directors. Directors require understandable information, skepticism, and willingness to act when performance appears too good or explanations remain unclear.

For Cummins, complexity may arise from global operations, joint ventures, emissions regulation, warranties, acquisitions, and new technologies. Audit and risk systems should make complex issues visible rather than reward managers for keeping them out of board discussion.

# Recommendations

Cummins should continue integrating strategic and sustainability oversight while clarifying accountability across committees. The board should receive scenario analysis covering technology adoption, emissions regulation, supply disruption, cyber incidents, and workforce transition. Nonfinancial incentive metrics should be independently verifiable and connected with long-term outcomes.

Stakeholder engagement should report not only supportive feedback but difficult concerns and unresolved impacts. Human-rights and supplier oversight should examine purchasing practices as well as supplier declarations. Board evaluation should identify whether current skills match the company’s changing portfolio.

# Conclusion

Cummins’ corporate governance centers on a predominantly independent board, a chair and CEO supported by independent oversight, and committees responsible for audit, finance, compensation, governance, safety, environment, technology, and executive matters. The relationship between business and society affects governance because Cummins’ products influence employment, mobility, emissions, safety, energy systems, and communities. Stakeholder expectations become strategic risks and opportunities that boards must consider alongside financial performance. Global governance is moving toward stronger oversight of technology, cybersecurity, climate, human capital, supply chains, and executive accountability. Cummins’ structure aligns with many of these trends, particularly through independent directors and its Safety, Environment and Technology Committee. Its ultimate governance quality, however, depends on whether these structures produce ethical conduct, credible transition, safe products, resilient performance, and transparent responses to social impact.

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