How Germany Wins out in the Battle for Foreign Direct Investment: Strategies of Multinational Suppliers in the Car Industry

Eric Pfaffmann and Michael Stephan

Whilst many expected that mature industries such as automotive would necessitate strategic shifts in favour of low cost countries, we will demonstrate how the precise opposite has occurred, with respect to Germany. We examined the investment and value-creating activities of 20 non-German multinational automotive suppliers in the German market and found that they invested $14 billion in Germany between 1987 and 1997. This discovery triggered our research to develop a conceptual framework to explain the core motives behind these investment activities. Two critical strategic propositions illuminate the activities: the first proposition tackles the pressure on suppliers to grow and diversify in response to the global trend of restructuring the value chain in the car industry. The second proposition uncovers the forces behind the current trend why automotive suppliers adjust their strategies globally. This proposition deals with the implications of the increasing use of global strategies in production and single sourcing by major automotive customers such as Volkswagen or DaimlerChrysler.

Globalisation and foreign direct investment in the car industry have received considerable attention in international business research and automotive studies. Most of the management studies build upon the premise that stresses cost-based factors for competitive success, yet cost factors cannot explain the high foreign direct investment in Germany. Furthermore, most of the...
studies deal only with the globalisation of automotive manufacturers, so-called Original Equipment Manufacturers (OEMs), while research on the suppliers and their strategies is weak, especially for Europe and Germany. Although some studies examine the globalisation in the automotive supply industry, most of the work is simply deduced by research on OEMs. In this paper, we focus on the automotive supplier industry and shed light on the globalisation strategies of multinational automotive suppliers in Germany.

After a brief introduction to recent changes in value-added strategies of OEMs we present our conceptual framework and then explain why supplier companies globalise and diversify.

Sources of new opportunities for supplier companies

Changes in value-added strategies of OEMs

Three value creation strategies have emerged as critical for German OEMs: outsourcing, globalisation, and platform concepts (Table 1).

Outsourcing

German OEMs have externalised a significant proportion of production since the beginning of the 1990s. This is in line with the core competence approach which preaches that a firm should no longer manage the development and production of most product components and parts in-house. A firm is much better off if its outsourcing strategy covers the entire value chain where suppliers and OEMs co-operate and possess distinct and complementary core competencies. An automobile is a complex product that consists of several thousand parts and components which are combined to form larger systems and/or modules. From the per-

Table 1. Changes in value-added strategies of OEMs in the 1990s

<table>
<thead>
<tr>
<th>Changes in Value-Added Strategies</th>
<th>Motivation of OEMs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outsourcing</td>
<td>To simultaneously achieve innovative products, short development times, competitive prices, and high quality standards</td>
</tr>
<tr>
<td>Globalisation of production</td>
<td>To facilitate local responsiveness to particular customer needs and to make use of low cost bases</td>
</tr>
<tr>
<td>Platform strategies</td>
<td>To simultaneously reduce costs, associated with product variety and complexity, by standardisation and meet multi-market objectives</td>
</tr>
</tbody>
</table>
دریافت فوری متن کامل مقاله

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات