

## ONZIEME RENCONTRE INTERNATIONALE DU GERPISA ELEVENTH GERPISA INTERNATIONAL COLLOQUIUM

Les acteurs de l'entreprise à la recherche de nouveaux compromis ?  
Construire le schéma d'analyse du GERPISA

Company Actors on the Look Out for New Compromises  
Developing GERPISA's New Analytical Schema

*11-13 Juin 2003 (Ministère de la Recherche, Paris, France)*

### **GLOBAL AUTO COMPANIES AND THEIR TIER-ONE SUPPLIERS IN INDIA**

*Yeong-Hyun KIM*

An explosive growth of automotive investment in Asia, Latin America and Eastern Europe has been a key element of the ongoing globalization of the auto industry. Ten of the world's leading auto companies jumped into the Indian passenger car industry soon after the 1993 deregulation. They included Daewoo, DaimlerChrysler, Fiat, General Motors Opel, Ford, Honda, Hyundai, Mitsubishi, PSA Peugeot Citroën and Toyota. Given the underdeveloped supplier base and local content requirements in India, many of these auto firms chose to bring a large number of their tier-one suppliers. However, the auto companies and suppliers alike have struggled immensely in their Indian operations. India, a passenger car market of limited size and low growth, has posed them daunting challenges, such as inefficiency in production. Two of the aforementioned companies have already closed down their production facilities, while, in an effort not to follow the unfortunate cases, remaining companies and their suppliers have been forced to be highly innovative with and adaptive to local conditions in India.

This research seeks to examine 1) What profit strategies, or survival strategies in this case, have these auto companies chosen in their Indian operations?; 2) How have the profit strategies chosen by individual companies changed, or solidified, the existing relationships with their tier-one suppliers that followed to India?; and 3) How have the suppliers adapted to and/or restructured their relationships with the auto companies in India?

With ten foreign auto firms and two local ones having set up new production facilities after deregulation, the number of passenger car manufacturers in India jumped from four to sixteen in the late 1990s. The Indian passenger car market has been too small for all these companies to compete in. The tight market situation has pushed the auto companies for adopting highly innovative strategies. They have introduced locally-fitting models, ads and auto finances. Many have also lowered prices for their products. Lowering the price has been enabled by bringing many of their own suppliers that could not only supply quality parts but also help auto companies cut costs on parts sourcing. Hyundai India, for example, brought fourteen of its tier-one suppliers from South Korea, where the company is headquartered. Despite its weak presence at the global level, Hyundai has come to be the best performer among the global companies that

entered India in the mid 1990s. It has been known that the company's tier-one suppliers have played a critical role in Hyundai's success in India by contributing to its cost-cutting strategy. The company has been able to maintain low costs and, consequently, low prices for cars and spare parts, which has been a huge advantage for Hyundai in the price-sensitive Indian market. In return, the suppliers have gained a better position in their bargaining relationships with Hyundai India and Hyundai Motor Company in general. This research takes a closer look at the way in which Hyundai India has maintained, or changed, its relationships with tier-one suppliers and which the tier-one suppliers have restructured their bargaining relationships with Hyundai's management in India and, in a broader sense, international levels.