

Survival in The Face of Change

Automotive Suppliers: Survival in The Face of Change

For domestic auto suppliers, the world is getting bigger by the minute

By James V. McTevia
Managing Member
McTevia & Associates LLC

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A recent survey by a nationally respected consulting firm suggests that there will be a failure rate of two-thirds of the existing domestic automotive supplier base in this country. This is a bold and true assessment of the condition of the troubled and changing U.S. auto industry. Will your company be numbered among the predicted two-thirds of existing suppliers to the U.S. auto industry that fail? Are there options for the small and mid-sized company to pursue for survival? What are those options and how do managers of those companies began the process of exploring them?

First, it is a fairly easy process to conduct an analysis of the company's customer base and determine where the book of business comes from. If the company's existing customer base is in the transition of global expansion, then it's a sure bet that process will lead your customer to other suppliers who can provide global support. The options at this point are to develop global relationships and or expand operations globally, develop a wider customer base with more domestic focus, shrink and or downsize operations to fit the remaining domestic customer needs or began the process of a sale, merger or a wind down of operations. It really is that simple. There are in my opinion few other realistic options in this environment.

After nearly 50 years as an advisor to companies in transition, I have guided my clients through a number of periods of economic down turns. I have never seen more clearer indications that the usual methods of business problem solving and survival will not work today. If managers cannot adapt to changing customer demands of price and production their companies will surely be among the two thirds that fail regardless of where the business is located.

Second, if you are in this group, you are not alone. The old adage of "safety in numbers" has a ring in this scenario that is true. Forging relationships through industry trade associations and organizations such as the Detroit Regional Chamber is a sure first step to getting help in identifying other companies who are facing similar problems of survival. Making contact with these companies, competitors or not, is a simple telephone call. In most instances the manager will find a welcome ear for discussions involving joint venture efforts and or mergers and sales. Quite simply put two or three small or mid sized companies, forged together will have a greater chance of survival.

Third, there are many foreign operations that are just as interested as their U.S. counterparts in developing relationships with U.S. domestic auto suppliers. Identifying these potential partners is not a difficult process. It will become apparent where your existing major customer base is expanding and that is a footprint for managers to follow for expansion and/or developing relationships with counterparts in those areas.

Here, clearly trade associations and chambers, well on the way to developing global relationships, is where managers need to go in addition to customer advice. Managers need to begin the process of developing global relationships and or expand operations globally as an immediate first step because the other options, in my opinion hold little hope for long-term survival.

There is no reason to even consider the wind down option unless pressures are coming from investors or lenders for monetary relief. The first option is the best no doubt and managers who want their business to be around for a while best began making contact with the outside world. It's a big world out there. And for the domestic U.S. auto supplier, it's getting bigger and bigger by the minute.