

# Chapter 14

## Strategic Challenges of the Portuguese Automotive Industry: In Search of an Iberian Sourcing Strategy

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### ABSTRACT

*The main objective of this chapter is to define a set of strategic lines, from the public policy point of view, so that Portuguese suppliers of the auto industry can deploy a strategic alignment throughout the supply chain in order to position themselves as potential suppliers of the global sourcing strategy of their Iberian Peninsula clients. The characterization of the auto industry in Portugal and Spain is undertaken, framing the perspective of this industry and proposing the strategic guidelines for the Portuguese auto components industry to supply the Iberian market. The study supports a synergistic strategy between the Portuguese auto components industry and the Spanish automotive industry in order to increase the Portuguese incorporation in downstream activities of the supply chain. Portuguese auto components suppliers should adopt international relational strategies throughout the value chain in order to source their Original Equipment Manufacturer (OEM) clients and to reinforce their position as global suppliers. The strategy involves the consolidation of the Portuguese automotive cluster as global suppliers through specialization.*

### INTRODUCTION

The auto industry is recognized as a global industry, with large implications at economic, regional, and entrepreneurial level (Celada, Carneiro, Moreira, & Pereira, 2007). Major international

original equipment manufacturers (OEMs) are looking forward, on one hand, to becoming more visible in leading world markets and, on the other hand, to working with their international suppliers, in order to deploy global strategies and to gain market share.

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## ***Strategic Challenges of the Portuguese Automotive Industry***

The systemic perspective of the automotive industry is very particular, since the supply chain and the strategic alignment of its players is very important for all of parties involved (Oke, Pragojo, & Jayaram, 2013; Celada et al., 2007). Furthermore, large manufacturers are very important, both nationally and regionally, as anchor companies (Celada et al., 2007) leveraging the internationalization of their suppliers in the value chain (Moreira, 2007).

Nowadays, the auto industry is in a quite complex economic scenario. The global demand has been decreasing, especially on traditional markets, and the burden of the financial system is eclipsing the consumption as customers expenditures are decreasing due to lack of liquidity and bank financing.

Moreover, automotive manufacturers focus more and more on design activities, engine and main subassemblies manufacturing, and components and subsystems assembly, delegating more responsibilities to the suppliers of equipment and auto components, both in manufacturing and equipment assembly as in complex systems and functions that suppliers deliver to OEMs.

Clearly, the complementarity between suppliers and producers throughout the supply chain is crucial to the automotive industry. The complex process of international consolidation, with a strong trend towards mergers, acquisitions and strategic alliances, where operating globally has become a key success factor, leads large producers to seek international visibility in major markets. In turn, suppliers seek to be tuned with their clients seeking to complement their activities throughout the supply chain. Therefore, in order to position themselves as main/preferred suppliers of their foreign clients, suppliers of the automotive industry need to be prepared to internalize the advantages of their clients' global sourcing strategies. As such, the purpose of this chapter is to define a set of strategic lines, from the innovation public police point of view, so that the Portuguese auto components companies can

underpin their competitive advantages deploying global supply strategies throughout downstream activities in the supply chain, so that they can be part of the global sourcing activities of the main players of the Iberian automotive market.

In order to achieve the above mentioned purpose, a theoretical review of global sourcing strategies was carried out. Afterwards the auto industry in Portugal and Spain was analyzed and diagnosed. Then, the strategic guidelines for the automotive industry are defined. Finally, the main conclusions are discussed.

## **GLOBAL SOURCING**

Worldwide competitiveness has significantly increased since the 1990s. Nowadays companies seek new sources of sustainable competitive advantage in an increasingly globalized market. One of the areas where companies search for globalization benefits is global sourcing (Trent & Monczka, 2003).

According to Zenz (1994), sourcing is a strategic philosophy that consists in selecting suppliers, making them a part of the purchasing company strategy for the supply of a particular component. Therefore, sourcing does not refer simply to the act of obtaining materials at a desirable price; it also includes the decision to incorporate sourcing in the operations strategy in order to support or even improve the competitive advantage of such company (Zeng, 2000).

Today, many companies want to tighten up their relationships, being more cooperative in their business partnerships with their suppliers. As there are more companies competing in the global market, global sourcing is increasingly playing a major role in the companies' buying strategy (Zeng, 2000). In addition, as developed countries are changing from a production-oriented strategy to a service-oriented one, international sourcing became inevitable (Zeng, 2000). The automotive industry is strongly oriented towards

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