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# How Did the Automotive Component Suppliers Cope with the Economic Crisis in Hungary?

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## Abstract

This article studies the reaction of automotive component suppliers in Hungary to the 2008-2009 economic crisis. We find that the global suppliers viewed the crisis as an opportunity to reinforce the competitiveness of their Hungarian affiliates by engaging in product and process upgrading, and upgrading through research and development. The regional suppliers combined defensive strategies aimed at reducing costs with offensive measures in the form of product upgrading, production upgrading and expansion into new markets. The local suppliers reduced costs and reduced their workforce, but also reacted offensively by expanding into new markets, upgrading their activity and collaborating with other local suppliers.

# Notes

<sup>1</sup> For an insight into the main strategic, organisational and technological shifts in the motor vehicle industry over the last 20 years, see the websites of the Industrial Performance Center of the Massachusetts Institute of Technology, available at: <http://web.mit.edu/ipc>, accessed 25 June 2012, and of the GERPISA international network, available at: [www.gerpisa.univ-evry.fr](http://www.gerpisa.univ-evry.fr), accessed 20 June 2012.

<sup>2</sup> See for example the four-tier-suppliers typology of Humphrey and Memedovic (2003, p. 22).

<sup>3</sup> In the main Western European clusters, long-term relationships between people working for the manufacturers and people working for the global suppliers lead to the creation of tacit knowledge. Codified knowledge is transmittable in systematic and formal language, whereas tacit knowledge is personal, context-specific and hard to formulate and communicate.

<sup>4</sup> Stuttgart, Oberbayern, Braunschweig, Karlsruhe and Hannover in Germany, western Sweden and the West Midlands in the UK ('Cluster Mapping', European Cluster Observatory, 2013, available at: <http://www.clusterobservatory.eu/index.html>, accessed 20 January 2013).

<sup>5</sup> 'Statistics', EUROSTAT, 2011, available at: <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>, accessed 17 January 2012.

<sup>6</sup> Interview with Herbert Rupp, president of MAJOSZ, Tata, 26 February 2010.

<sup>7</sup> Our semi-structured questionnaire was organised around three main topics. In section one, we asked for information about various basic characteristics of the company (year of establishment, controlling owner, sales, exports, imports, employment, and research and development) and about the level of the company's competitiveness and of rivalry in the sector of the company. In section two, questions concerning the characteristics of supplying other companies and their own suppliers (for example the number of companies supplied and number of suppliers, their distance from the company being studied, their cooperation with them, the changes in supplied quantities, the number of supplied products, the contracts concerning supply) were addressed. In section three,

various aspects of the impact of the crisis and measures taken to cope with the crisis were covered.

<sup>8</sup> Bloomberg Business Week, 9 December 2009, available at:

[http://www.businessweek.com/globalbiz/content/dec2009/gb2009129\\_34368.html](http://www.businessweek.com/globalbiz/content/dec2009/gb2009129_34368.html),

accessed 17 May 2011; 'Volkswagen Chief Says VW Suzuki Compact Could be Made in Hungary', Realdeal.hu, 21 October 2010, available at:

<http://www.realdeal.hu/20101021/volkswagen-chief-says-vwsuzuki-compact-could-be-made-in-hungary>, accessed 20 January 2011.

<sup>9</sup> 'Opel Announces €500m Expansion at Engine Plant in Hungary', Budapest Business Journal, 21 September 2010, available at: [http://www.bbj.hu/business/opel-announces-€500m-expansion-at-engine-plant-in-hungary\\_54283](http://www.bbj.hu/business/opel-announces-€500m-expansion-at-engine-plant-in-hungary_54283), accessed 19 February 2011.

<sup>10</sup> 'Audi Unprecedented Plant Expansion Tests Quality Standards: Cars', Bloomberg, 7 June 2012, available at: <http://www.bloomberg.com/news/2012-06-07/audi-unprecedented-plant-expansion-tests-quality-standards-cars.html>, accessed 20 June 2012.

<sup>11</sup> 'Statistics', ACEA (European Automobiles Manufacturers Association), 2013, available at: <http://www.acea.be/statistics/tag/category/passenger-cars-production>, accessed 17 January 2013.

<sup>12</sup> Agence France Press, 1 December 2008, available at:

<http://www.industryweek.com/articles>, accessed 20 January 2011.

<sup>13</sup> Agence France Press, 16 January 2009, available at:

<http://www.industryweek.com/articles>, accessed 20 January 2011; The Budapest Times, 16 March 2010, available at: [http://www.budapesttimes.hu/index.php?option=com\\_content&task=view&id=14044&Itemid=28](http://www.budapesttimes.hu/index.php?option=com_content&task=view&id=14044&Itemid=28), accessed 20 January 2011.

<sup>14</sup> None of the total number of global suppliers disappeared from the Hungarian automobile landscape and the location of activities to lower-wage countries was absolutely marginal. Only one supplier, Bosch, closed a plant in Kecskemét in 2009, because the production of CD players could no longer rival the production of Asian suppliers. None of the managers interviewed were aware of bankruptcies of competitors in Hungary.

<sup>15</sup> The shortage of engineers in Germany helps to explain investments in research and development in the automotive industry in Central Europe (Kinkel & Som [2012](#)).

<sup>16</sup> Two out of the five local suppliers in our sample are multi-plant firms with locations in lower-wage regions in Hungary. However, the relocation of one of the two firms took place before the beginning of the crisis. The second firm decided to move production back to Budapest and to employ Hungarian-speaking employees coming from Romania (accepting lower wages) after a five-year experience in a lower-wage region.

<sup>17</sup> For example U-Shin in Kisbér and Mitsuba in Salgótarján.

<sup>18</sup> The survivorship bias can be defined as the tendency to exclude failed companies from studies due to the fact that they no longer exist.

<sup>19</sup> For some recent research on the reaction in the automotive industry, see Pavlinek ([2015](#)), Sass and Szalavetz ([2013](#)).

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