

EVOLUTION OF THE MANUFACTURER-SUPPLIER RELATIONSHIP
IN THE GERMAN AUTOMOTIVE INDUSTRY: HOW AND WHY
IT CHANGED FROM THE PREWAR TO POSTWAR PERIOD

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The purpose of this paper is to investigate the development of the manufacturer-supplier relationship in the German automotive industry from the 1920s to the 1960s and to examine the continuity (or discontinuity) between the prewar and postwar periods. There has been no detailed historical research on this topic, though the German experience forms an interesting contrast to the American and the Japanese cases.

Using original documents mainly from the DaimlerChrysler Archive and focusing on Daimler-Benz, I found that the postwar manufacturer-supplier relationship is quite different from that of the prewar period. While an arm's-length relationship was dominant in the prewar period, with frequent replacement of suppliers and little cooperation on the part of manufacturers, though often concentrating a whole order for a part on a sole supplier, the postwar relationship is more stable and characterized by intensive mutual commitment, with a clear trend to the two-vendor policy.

An important turning point in the evolution of the manufacturer-supplier relationship can be found in the wartime economy. Under serious pressures of economic regulation and military production, Daimler-Benz provided suppliers with continuous support and instruction and introduced cooperative product design with selected suppliers. There are reasons to believe that these wartime experiences are related to the postwar development.

However, a more direct reason for the postwar changes lies in the new economic environment and experiences in the postwar period, especially the serious shortage of production materials as well as delivery and quality problems of suppliers, combined with the drastic increase in demand for cars. Carmakers had to secure a sufficient parts supply and required the suppliers to keep a large production capacity with enormous capital investment for a longer term, which led necessarily to a stable manufacturer-supplier relationship with mutual commitment.