

Cooperate With Suppliers From The Start

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Working with the right suppliers, vendors, and business partners can make or break an economic venture. Choosing the best people, explains Carl Hahn, should be the first step.



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Today's automobile industry, contrary to the automobile industries of the planned economies of yesterday, is not highly vertically integrated.

In the old days, we made more than 50% of what goes into a car ourselves. The car today has such sophistication. Today, even a seat is a major engineering element of safety and comfort. With electric motors, you can adjust it in any direction. It is hooked to your air conditioning. It maybe has massage equipment. It is a sophisticated element that requires specialists; you could not possibly be good in all these areas.

Consequently, we brought with us our vendor industry. We helped them connect with forward-thinking Chinese partners. In the beginning, of course, it was not easy; but we quickly found that private entrepreneurs became our partners. It was also partially from the military industries that we found partners in China. We were transferring know-how.

The element of the great difference in strategy of the Chinese government, compared to the Korean or Japanese government in the initial phase, was that they didn't close the market. They opened the market to the import of foreign direct investment. When you import foreign direct investment, you do not only import capital, but you also import know-how. So it was for us possible to bring all of the know-how required, to come up to speed quickly, by this policy of the Chinese government.

We created, I can say, the infrastructure of the automobile industry. Consequently, we have also brought the latest thinking of the automobile industry in the world to China. In all of these processes, China didn't have to go through the long 100 years of development. China entered the modern phase of industry on a high level, saving all of the intermediate steps and, consequently, becoming in many fields today already an international leader.