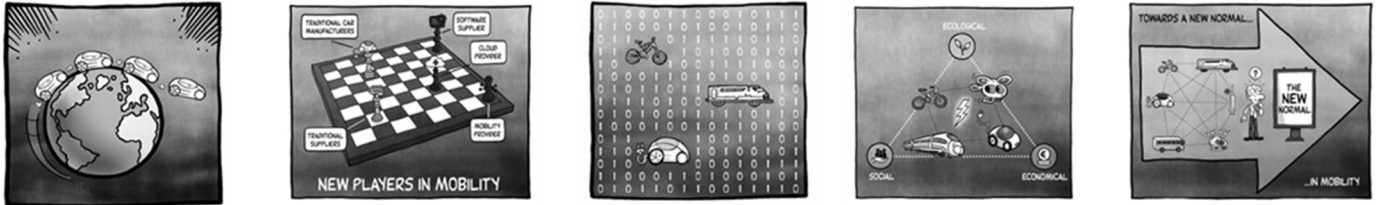


FUTURE OF THE AUTOMOTIVE INDUSTRY



Theses on the future significance of traditional automobile manufacturers in (international) competition

New competitors to traditional car manufacturers such as Tesla from the US, BYD, Nio, and Geely from China, technology companies such as Google and Huawei, and ride-sharing providers such as Uber and Didi will significantly change the competitive landscape in the automotive industry in most markets over the next ten years. The question is, where will traditional providers fit in? Here are three theories ¹:

Thesis 1: Traditional automotive companies are being pushed back by new competitors.

Given the current hesitant and slow transformation to connected, highly automated or autonomous, shared, and electric driving (CASE transformation), new competitors have enough time to start producing cars and offering mobility services. This is because connected and highly automated, shared, and electrified mobility is opening new value creation channels for start-ups and high-tech, car, and ride-sharing companies from outside the industry. New automotive companies from North America and China are also taking further value creation shares away from traditional automotive companies².

¹ The theses are based on discussions and surveys conducted by the Chair of Business Administration and International Automotive Management at the University of Duisburg-Essen in collaboration with Deloitte Consulting, in companies, at scientific and trade conferences, and at trade fairs in Germany and the most important automotive markets worldwide. A more detailed argumentation appears in the conference proceedings of the 16th Science Forum Mobility (Proff, H. (2025): Neue Anbieter in der Mobilität. Wiesbaden: SpringerGabler).

² See the theses on future value creation in the automotive industry published by the Chair of Business Administration & International Automotive Management at the University of Duisburg-Essen in June 2024.

Thesis 2: Traditional automotive companies can only survive by transforming at a rapid pace.

The future competitive landscape depends on which economic model prevails:

- the model of traditional automotive companies: increasing productivity and profitability in order to pay dividends to shareholders, or
- the model of new competitors: increasing market share and stock market value.

The models are mutually exclusive: if the market value of the new competitors rises, there is a risk that they will take over the traditional companies, unless they are owned by the state or by families. Except for Toyota, traditional automotive companies are of little value from the perspective of the major technology companies. However, if traditional automotive companies create attractive offers through productivity gains and innovative strength, they can avoid this danger. This is especially true if, despite the stock market hype surrounding new providers, they are unable to keep up and the stock market loses confidence in them due to declining innovative strength.

Traditional car manufacturers will therefore only succeed in the transformation if they increase their pace of transformation and quickly catch up technologically in order to increase profitability. For example, 250 automotive companies surveyed worldwide in 2023 expect that by 2030 they will only achieve a third of their value creation with hardware, instead of around half as is currently the case. They expect to generate another third of value added through electronics and software as well as sharing services, with electronics and software becoming slightly more important.

Only by quickly building up these skills can traditional automotive companies halt the increase in market share of their new competitors and demystify them. This is because many of the new competitors from China, as well as high-tech companies and ride-sharing providers in the automotive and mobility industry, are not yet profitable. It is already becoming clear in some cases that they lack the imagination for the next stage of growth. This is what some Chinese manufacturers are accused of, for example, but it is also evident in the withdrawal of some technology companies from the automotive business and the profitability problems of new mobility providers. If traditional automakers now manage to transform themselves more consistently than before, one or two speculative bubbles could burst with regard to the new providers. However, the window of opportunity is small – at most three to four years – before Chinese automakers (with almost 100 brands in spring 2024) consolidate into a few large groups and technology and sharing companies have built powerful mobility ecosystems.

Thesis 3: A high speed of transformation requires traditional automotive companies to have transformation capabilities.

Traditional automotive companies need more than just additional technological expertise, e.g., in battery technology and artificial intelligence, to achieve rapid transformation. They also need transformation capabilities to adapt their operational skills to radical technological changes. What is needed is operational agility, which enables binding decision-making processes based on minimally viable solutions that are repeatedly reviewed, adapted, and ultimately improved in multiple loops. In capital-intensive automotive companies, this ability to achieve hybrid agility must be combined with a focus on efficiency through economies of scale and scope (hybrid agility).

Traditional automotive companies must master ambidextrous management (ambidexterity). After all, in the CASE transformation, they must simultaneously manage value creation in the old (analog and combustion-based) business and in the new innovative (digital and electric mobility) business in order to optimize capital allocation within the value creation network. New competitors without outdated production structures do not need such ambidexterity.

In the wake of the CASE revolution, traditional automotive companies must also join forces and form new types of partner networks (ecosystems), i.e., organize themselves structurally in a multilateral group of permanent partners so that they can interact to realize an overarching value proposition. This enables them to jointly create value that they could not achieve on their own.

Implementing these three transformation capabilities simultaneously is a challenge because

- hybrid agility involves conflicts between flexible agility and efficient economies of scale and scope,
- ambidexterity involves conflicts between the flexible development of a new business and the efficient optimization of an old business, and
- automotive companies find it difficult to collaborate in partnerships and ecosystems and create value together.

Even though hybrid agility, ambidexterity, and collaboration with partners in ecosystems are nothing new in the automotive industry, their consistent implementation is still pending (similar to how European reactions to the introduction of “lean management” by the Japanese took a long time but were then quick and better).

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