

## THE ALLIANCE BETWEEN ANTOLÍN IRAUSA AND CIE AUTOMOTIVE

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Antolín Irausa and CIE Automotive are two of the main Spanish manufacturers of parts and accessories for motor vehicles. Group Antolín arose in the 50's of the 20<sup>th</sup> century in Burgos (Spain) as a little workshop specialized in brakes and steering and, while still retaining its family business character, today it is the first Spanish manufacturer of interior components and ranks 55<sup>th</sup> place among the most important suppliers in the automotive industry worldwide. In 2012, the Group's aggregate turnover reached its historical peak by exceeding 2,600 million euro, which implied a grown of 8.7% over the previous year in a difficult period for the industry. More than half of the products manufactured by the company were destined to Europe, where its main customer was Volkswagen Group. However, the highest growths in sales occurred in NAFTA and Asia Pacific markets, highlighting those experienced in the United States and China, respectively. Its manufacturing activity is structured in four major areas: overhead systems (49.1% of total sales in 2012), doors (37.6%), seats (8.1%), and lighting (5.2%). To a large extent, the increase in aggregate sales was due to the growth of 17% in sales of overhead systems, mainly in the United States and China, an area in which the Group stood as one of the leading global producers. This positive development made it possible to offset the 19% drop in turnover of seats, an aspect in which, despite being a technological benchmark, the firm was weighed down by the decline in production projects located in Spain. At the end of 2012, Antolín Irausa Group employed more than 14,000 people and was present in 25 countries with more than 100 manufacturing facilities and 22 technical and commercial offices.

On the other hand, CIE Automotive, headquartered in the Basque Country (Spain), is a listed firm whose shares are traded in Madrid and Bilbao exchanges through the Stock Market Interconnection System (Continuous Market). The company emerged in 2002 as a result of the merge between Grupo Egaña and Aforasa and, although it also carries out activities in the field of ICT and bio-fuels, its main business area is development and manufacture of automobile industry components (80% of total sales). In 2012, its total turnover exceeded 1,600 million euro, representing a drop of 10% over previous year and a brake on the growth path that had been following the company since its inception. The turnover in the automotive area was reduced to a lesser extent, by 6.3%, reaching 1,300 million euro. Within this area, the Group's production activity covers the entire range of automotive components and assemblies, both with respect to the mechanics of the vehicle (engine, transmission, brakes, steering, etc.), its structure and suspension (chassis, axes, triangles, crossings, dampers, etc.), and its interior and exterior (siding, airbag, belt, electronics, seats, doors, hood, roof, etc.). CIE Automotive manufactures both for the end customer, in this case automobile brands, and for other first level manufacturers (TIER 1), that is, manufacturers supplying completely ended components and systems to brands. Thus, the company covers the so-called levels TIER 1 and TIER 2 in the supply-chain of automotive components. At the end of 2012, the firm had more than 16,000 employees distributed in 56 manufacturing plants, 8 technology centers and 8 commercial and engineering offices, and it was present in 13 countries, with a strong presence in Brazil and Mexico.

In February 2013, both companies announced the formation of an alliance by creating a joint venture in the Czech Republic, specifically in the city of Valašské Meziříčí. This company, called Antolín-CIE Czech Republic, was born with a share capital of 1 million euro, 70% subscribed by Antolín and 30% by CIE, and its initial purpose was the manufacture and marketing of metal structures and subsets for automobile seats. In this way, the new firm aimed to unite, on the one hand, Antolín's experience, precisely, in manufacturing of metal structures for seats, as well as its relationships with customers in the

field; and, on the other hand, CIE's knowledge in painting, stamping, machining and shaping of tubes, which were incorporated into the production process of metallic structures and subassemblies for seats.

Czech Republic is a country with a great interest for foreign investments, especially in the automotive sector, for its relatively low production costs compared to other European countries, its proximity to the German market, and its relative economic stability, with low levels of unemployment and debt. In fact, both companies were already present in the Czech Republic through various production facilities, technology centres and sales offices. However, and although Antolín Irausa was one of the traditional customers of CIE Automotive, this was the first time both groups came together for implementing a joint production initiative.

**Question:** Identify the type of alliance performed by Antolín Irausa and CIE Automotive, their motives and the advantages and disadvantages for each partner.