AUTOMOTIVE INDUSTRY

Automakers Don’t Need Fewer Partnerships, They Need Better Ones

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It’s one of the industry’s worst-kept secrets: automakers get queasy at the mere mention of partnerships. And who can blame them? Despite a few successes, the sector has consistently produced some of the most expensive breakups in corporate history. And these disappointments often occur after partnerships were touted as paragons of collaboration and synergy.

Most of the failures share familiar root causes, including culture clashes, vague value propositions, muddled decision making, and weak governance.

Even with that history, automakers view partnerships as powerful levers for value creation in today's environment. The industry is being reshaped by technological upheaval, deepening competition, and mounting political and economic uncertainty. Partnerships—including joint ventures, codevelopment programs, technology alliances, and strategic supplier collaborations—are essential to navigate what's ahead. The problem isn't partnerships themselves; it is the absence of a disciplined playbook to make them work.

Why Partnerships Matter

The forces pushing automakers toward partnerships are intensifying. Technology is a big driver. As vehicles become more software centric and electrified, OEMs must juggle complex software architectures, software validation frameworks, and technology development. Supporting these requirements end-to-end across dozens of vehicle programs—often with regional and regulatory variation—is hard to justify economically, particularly when technology leadership is not an innate capability for automakers.

More fundamentally, the auto industry's traditional scale advantages are eroding. Sales volumes have flattened while excess capacity builds in major regions—most visibly in China and parts of Europe—and substantially slackens in North America. In parallel, OEM portfolios are fragmenting as powertrains proliferate and regulators alter and expand regional specifications. As a result, variants per nameplate increase while the average volume per platform declines. Partnerships can address this directly by pooling volume: OEMs can share technology architectures and common components and differentiate brands through design, features, and software experience.

New entrants—led by Chinese OEMs with structural cost advantages and faster development cycles—are sharpening the consequences of scale dilution. So, too, are trade and policy uncertainties. Volatile tariff programs and shifting industrial policies are fracturing supply chains and complicating long-term capital planning. In this environment, partnerships provide a way to share risk, localize exposure, and preserve strategic flexibility.

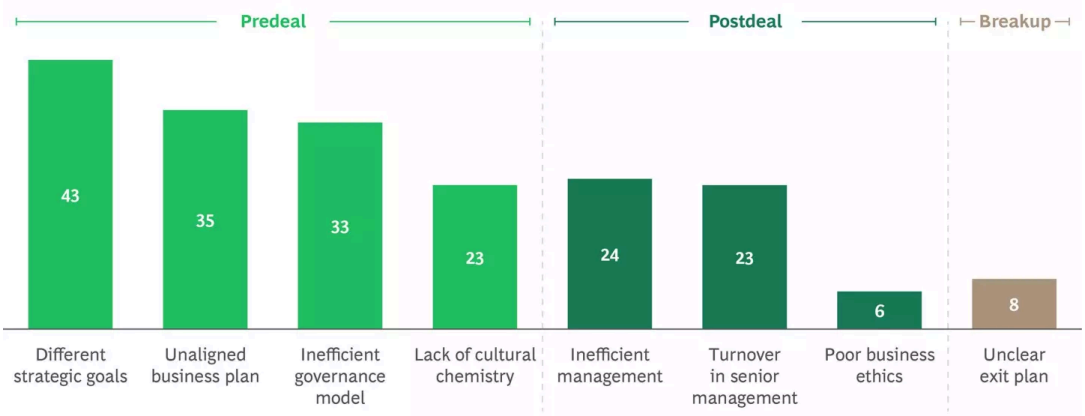
Bad Experiences with Partnerships

Given the extraordinary pressures facing the auto industry, few would argue that navigating this period alone is viable. What matters, then, is how auto executives explain past failures, because that perspective shapes their hesitation to try again. When we asked executives to identify the primary obstacle to joint-venture value creation, one issue consistently stood out: a lack of alignment on goals and business plans during planning phase negotiations. (See Exhibit 1.)

EXHIBIT 1

Joint-Venture Value Creation Is Hindered Most by Failing to Align Goals Before the Deal Is Finalized

Share of respondents identifying key obstacles (%)



Source: BCG's Joint Venture Survey, 2023.
Note: n = 159.
Survey question: What do you see as the biggest obstacles to realizing value in joint ventures?

This early misalignment leaves partners underprepared to address strategic, operational, and economic challenges that surface later. Engineering-driven organizations—automakers chief among them—are designed for clarity, precision, and control. Partnerships are not: they are inherently messy, shaped by shared accountability, joint execution risk, and competing strategic and financial priorities. When partnership foundations—governance, decision rights, and economic ownership—are not clearly defined and jointly owned from the outset, cultural friction hardens, authority blurs, and not-invented-here attitudes tend to intensify rather than fade.

On top of that, shifting market fundamentals can quickly destabilize even well-structured collaborations. When core assumptions change, partners who never fully aligned initially often lack the deliberate, durable governance needed to revisit assumptions, realign incentives, and reset the rationale for collaboration.

Viewing Partnerships in a New Way

The environment confronting OEMs has shifted from cyclical disruption to structural transformation, pushing OEMs beyond their traditional strengths. As the strategic perimeter expands faster than balance sheet capacity and organizational bandwidth, partnerships become a critical mechanism through which OEMs can extend their potential without absorbing unsustainable cost or complexity.

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The key is to treat partnerships as core strategic levers rather than tactical fixes. Because partnerships serve different strategic purposes—some are built to improve production efficiency, while others are for scale, capability access, or risk sharing—treating them as interchangeable transactions is a mistake. OEMs must approach collaboration with explicit strategic intent, matching the partnership structure and governance to their objective and committing the resources required to realize that objective.

How Partnerships Can Deliver

When carefully drawn up, OEM alliances can address distinct automotive industry constraints, including software complexity, the need to scale, regulatory uncertainty, and capital intensity. We’ve identified five critical outcomes that OEM partnerships are effectively targeting today.

Improve production efficiency. OEMs most often pursue partnerships to share vehicle platforms and core functions such as purchasing and engineering—ultimately to create scale without the disruption of a full merger. This approach is advantageous in a low-growth environment: by industrializing fewer architectures across higher volumes, OEMs can lower unit costs, accelerate the time to market, and deploy capital more efficiently.

A global OEM’s recent partnership with a Chinese electric vehicle (EV) leader is a good example: The Chinese OEM gains access to the global OEM’s European go-to-market engine and to its

underutilized industrial capacity, including plans to manufacture models in Spain. At the same time, the global OEM gains access to the Chinese OEM's EV platforms and engineering ecosystem, creating a pathway to jointly industrialize products in China.

Scale electrification assets and the supply chain. OEMs increasingly rely on joint ventures and strategic alliances to secure batteries and build critical electrification infrastructure—including recycling systems, circular materials flows, and charging networks—because of the highly capital-intensive and interdependent EV ecosystem. Few OEMs can scale and manage these assets efficiently on their own.

By using one of these partnership models, OEMs can share the risk on multibillion-dollar investments while stabilizing access to essential EV components. In one case, a US OEM formed a joint venture with a South Korean battery company to codevelop and produce lithium-ion battery cells in North America. The companies report achieving a 33% increase in energy density without raising battery costs. In addition, some OEMs rely on partnerships to expand and scale their markets and supply chains into regions that may not be profitable for them to enter without local alliances.

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Codevelop software and digital platforms. OEMs are partnering with technology firms to share development costs for software-defined vehicle (SDV) stacks, including vehicle electric/electronic (E/E) architectures, core middleware and operating systems, developer tool chains, and data infrastructure. The goal is to reduce duplication and compress release cycles. By standardizing nondifferentiating layers, OEMs can shift scarce talent toward brand-defining user features and interfaces, vehicle dynamics, and safety-critical systems, while avoiding parallel reinvention of foundational code. Early deployments suggest meaningful cost avoidance and cycle-time reductions—software launching in weeks rather than months—with industry-wide savings likely reaching the tens of billions of dollars by 2030 as SDV platforms scale across portfolios.

Preserve strategic flexibility. OEMs are turning to partnerships to stay agile as market conditions, technology economics, and regulatory signals evolve. Partnering is particularly valuable when adopting bridge technologies. An automaker may want to (or have to) develop new vehicle features and capabilities with an external partner in the short term, while retaining the option to bring development in-house later if scale, cost, and priorities warrant it. The primary value lies less in the partnership itself than in the flexibility it creates to recycle capital, resize exposure, and safeguard access to critical assets without a full exit or strategic reset.

A good illustration is a US OEM's decision to sell its equity stake in a nearly completed battery cell plant to its joint-venture partner, an electronics company. The transaction allowed the OEM to recover roughly $1 billion of invested capital and redeploy it toward vehicle portfolio expansion, while continuing to secure battery supply through contractual agreements with its former partner.

Accelerate autonomy and mobility rollout. This is the least targeted partnership outcome, largely because autonomous mobility is expensive, heavily regulated, and not yet proven at scale. When OEMs do use it, they partner to put vehicles, autonomy software, and fleet operations into the real world without trying to build and fund everything themselves. They learn while sharing the cost and risk. In one well-known case, when the partnership's self-driving fleet business didn't pan out, the automaker shut down the operation but walked away with real gains: deep autonomy engineering experience, massive safety and driving data, and regulatory know-how that could be reused in driver-assistance and future autonomy programs.

Paths to Successful Partnerships

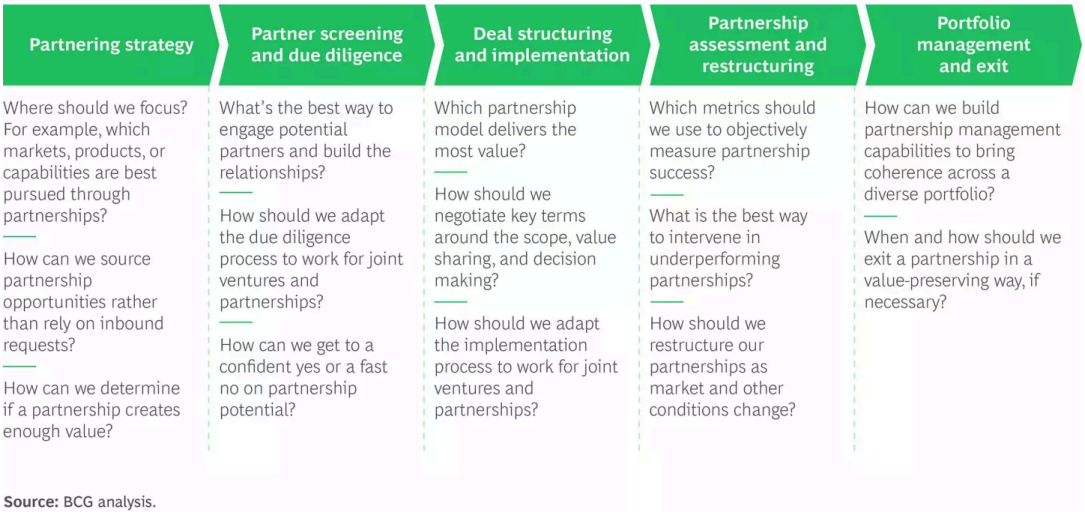
Successful automotive partnerships must be built around the operating realities of the OEM world: long lead times, high fixed costs, tightly linked engineering and manufacturing functions, and acute brand management. Partnerships now take many forms—platform sharing, software codevelopment, battery joint ventures, and supplier alliances—and the number is increasing as the industry undergoes technological and competitive transformation. While each partnership serves a distinct purpose, the best ones share a common foundation: operating discipline.

OEMs should treat partnerships as an integral part of how they run the business, rather than a one-off transaction to be overseen at the margins of the companies' operations. They should manage partnerships with the same rigor applied to major vehicle programs—that is, with clear objectives, phased deliverables and commitments, explicit roles and governance, and flexibility to evolve as conditions change.

The successful partnership life cycle is a continuum that starts with clearly defining a partnership strategy that directly mirrors the company's business and operating models. This step should be followed by screening partners and conducting due diligence; structuring and implementing the deal; performing ongoing partnership assessments and restructuring when needed; and improving portfolio management and determining an exit plan, if necessary. (See Exhibit 2.)

EXHIBIT 2

Forming a Successful Partnership Begins by Answering Key Questions



Source: BCG analysis.

Five elements consistently distinguish high-performing automotive partnerships that create lasting value from those that stall or unwind.

- **Shared Strategic Goals.** Many OEMs move deep into partnership design before aligning internally—or with their partners—on the partnership's core objectives. Whether the aim is to scale a platform, close a specific gap in a capability (such as advanced driver assistance systems), gain market access, or create a path to deeper collaboration, the targets must be explicit from the outset. When conditions shift, a lack of alignment can quickly surface. To ensure alignment, partners must have early and frequent conversations about their motivations, measures of success, and acceptable tradeoffs. These conversations should build trust and establish a shared understanding of what each side expects to achieve.

  After agreeing on the targets, partners can move into high-level design negotiations. The first decisions should clarify what is joint versus independent, which regions or functions are in scope, and how value will be generated and divided. Exploring these options together—and returning to the agreed upon goals when disputes arise—helps prevent deadlocks.

- **Complementary Strengths.** High-performing partnerships are built on complementary strengths that create beneficial interdependence; each side brings capabilities the other lacks and cannot readily replicate. A partner's needs are rarely met via direct financial support, such as capital to fund development or scale production. More often, they are addressed through operational contributions, such as engineering expertise, manufacturing footprint, supplier leverage, proprietary technology, or market access.

  Before committing, each partner should take stock of its own strengths and constraints. If the fit is genuine, contributions should then be defined in executable terms—engineering capacity on the critical path, validation slots, tooling budgets, plant allocation, and software

release bandwidth. Being precise matters. Specifying when and how resources are deployed and how use is tracked reduces ambiguity and disputes.

Lastly, every cross-company interface increases the coordination burden and creates potential failure points. The strongest partnerships begin with narrow, well-defined contributions and expand as milestones are met and trust is cemented.

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- **Clear Roles and Governance.** Friction arises and partnerships become ineffective when decision authority is unclear—especially in the seams, where handoffs occur, such as between design and industrialization, engineering and purchasing, or hardware and software development. Critical questions must be settled early. Who owns program baselines for architecture, cost, and timing? Who controls changes? Which decisions require joint approval? How are deviations handled? Who determines the right path when quality and standards diverge? Partnerships falter when accountability for major tradeoffs—speed versus customization, global versus regional scope, and cost versus performance—is ambiguous and there is no agreed upon process for resolving disputes.

  Execution should be guided by a senior-level steering group that sets direction and is supported by an execution committee and joint project management office to manage day-to-day coordination. Regular operating reviews and a defined escalation path for disagreements keep momentum intact. Partnership governance should match the level of interdependence: as more roles, processes, and handoffs are shared, tighter coordination and oversight are required. The objective is to provide sufficient structure without impairing the partnership's ability to pivot quickly as conditions change.

- **Cultural Readiness for Change.** Even well-structured partnerships will need to adjust multiple times as regulation shifts, technologies advance, and demand swings. Successful partners anticipate this. They commit for the medium term but build in formal review points to expand, narrow, or redirect the scope as conditions evolve. Clear rules for proposing changes, recalibrating economics, and altering responsibilities prevent resets from becoming reactive or political.

  The organizational mindset and culture shape how well partners adjust both to the partnership itself and inevitable course corrections. Familiarity between leaders and working teams helps with the shift from independent decision making to coordination across

corporate boundaries—understanding how the other side communicates, weighs tradeoffs, and responds under pressure reduces misinterpretation. Practical steps—such as sitting in on each other's meetings, short leadership swaps, mapping decision styles, and having ongoing candid conversations about expectations—can make a measurable difference when addressing differences in pace, engineering discipline and standards, and budgeting norms and approaches. The goal is not uniformity, but resilience: the ability to surface differences early, build mutual understanding, and maintain cohesion when progress slows and frustration builds.

- **Agreement on an Exit Path.** Not every partnership is meant to last indefinitely; some are designed for a specific vehicle program or technology milestone, and others continue only as long as the initial strategic rationale remains sound.

  For that reason, continuation and exit terms should be defined at the outset. Renewal timelines, exit triggers, notice periods, ongoing obligations, and treatment of shared assets should be explicit. The exit should not be relegated to legal clean-up at the end of the relationship but treated as a governance topic from day one. Addressing it early protects value during the partnership and preserves it at the point of separation.

The automotive industry's past struggles with partnerships are evidence that automakers need better ones, not fewer ones. Too many were launched without clarity on ambition, contributions, scope, governance, and cultural fit. In an environment defined by rising technological requirements, reduced scale, and volatile global markets, that approach is even less viable. Partnerships that succeed will be those built with the same rigor that OEMs apply to major product programs and brand investments.

That means automakers should be explicit about what problems a partnership is meant to solve and how value will be created and shared over time. It means investing early in alignment, governance, and operating discipline, while retaining flexibility to adapt as conditions change. OEMs that approach partnerships this way will not eliminate risk, but they will turn collaboration from a recurring source of frustration into a durable competitive advantage.

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