8 Working with a Western Partner

To negotiate with the British in English in a typical English plant is not easy. They discuss, discuss and discuss, but they do not reach a conclusion . . . . The greatest thing we learned from Austin Rover is how much we can be internationalized. We learned little technically, a lot culturally. ¹

For contextual reasons both political and economic, and for reasons of corporate strategy set within that context, Honda’s attack on Fortress Europe has been inevitably more complicated than the relatively straightforward push into North America we saw in Chapter 3. The immediate conclusion to be drawn is that global local corporate strategy varies greatly depending upon market, social and political contexts. But that much was already known to Ford and General Motors, with their European organizations quite separate from North America, and making car models unknown in North America. For Honda the real question is how to localize in Europe and still maintain the global linkages that the Americans companies had dispensed with as they set up their separate subsidiaries.

The key differences between Honda’s strategies in Europe and North America lie first in the speed of its market penetration, much slower in Europe, and second in its close relationship to the British car maker Rover (previously called BL and Austin Rover), which has no equivalent for Honda in North America. We focus on understanding these two aspects of Honda in Europe in this chapter. Then in the following chapters we investigate Honda’s own manufacturing operations in Europe, and look at how Rover has been developing and restructuring internally in the context of its links with Honda.

The link to Rover is especially fascinating and we will spend most of our time looking at it:

- It is one example – a splendid one given its longevity and complexity – of a much larger phenomenon whereby Japanese and Western firms in the car industry and beyond have become increasingly

A. Mair, Honda’s Global Local Corporation
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closely entwined in recent years. Naturally, each inter-firm collaboration proceeds somewhat differently, but each raises the same questions. Is there a transfer of Japanese technology, organization, managerial prowess, to the Western firm? How can the Western firm best learn from its partner? How does the Japanese firm learn from and otherwise benefit from the collaboration? Does one firm effectively gain more than the other? In short, what are the long-term implications of collaboration for respective global competitive capabilities?

- The case of the Honda–Rover collaboration is important for these reasons and others besides. First, Rover and its predecessor BL were widely known as one of Europe’s weakest mass car producers: poorly designed cars, poorly made, by an unreliable workforce that was poorly managed. So what could Honda hope to learn? Why not form an alliance with a stronger European firm? Second, compared to North America, Honda has effectively entered into European production backwards: through Rover learning to deal with parts sourcing before it had started car assembly. Looking at this process will show that the quotation at the start of this chapter is a little misleading.

SELLING CARS IN EUROPE

By the early 1990s, the European market was still not very significant for Honda compared to Japan and North America. Even more than its Japanese rivals, Honda had focused during the 1970s and 1980s on its big push into North America, leaving European sales trailing behind (Table 8.1), and consequently lay only in fifth place among Japanese firms in Europe.

The global geographical unevenness of Honda’s markets has been paralleled inside Europe. Marketing arms were established in various European countries beginning in the early 1960s, often starting with motorcycles, moving to cars later on. With the exception of France, the dates when Honda car sales subsidiaries were established closely reflect Honda’s response to the evolving political map of policies towards the Japanese, with Southern Europe lagging behind: Germany, 1961, Belgium, 1962, Netherlands, 1963, France, 1964, United Kingdom, 1965, Switzerland, 1974, Portugal, 1986, Spain, 1988, Italy, 1990.

If we take the year 1988 as a benchmark, when almost all Honda’s European sales were imports from Japan, the importance of the