

Honda and Triumph (pt 1)

Before WWII, Britain had a number of independent car manufacturers: Morris, Austin, Rover, Standard-Triumph, MG, Jaguar, Daimler, Rolls Royce and Bentley. By the mid-1950s the UK auto industry exported 75% of its output, representing 15% of the world's total car exports.

Consolidation in the 1950s led to the formation of BMC (comprising Austin, Morris, MG, Riley and Wolseley). In 1960 Standard-Triumph was acquired by Leyland Motors, and in 1966 BMC bought Jaguar. Rover (and Land-Rover) were bought by Leyland in 1967. Despite the increasing industry concentration, its costs were still uncompetitive with Japan, Europe and the US car makers. Ford and Vauxhall (owned by GM) had both established a significant market share. To try to prevent further decline for UK firms Harold Wilson's government helped arrange a merger between BMC and Leyland to form a single firm, British-Leyland Motor Corporation.

Despite this, competition from Japan (Datsun, and Honda) and Europe (Renault, Peugeot, Citroen, VW) eroded Leyland's market share to 32% by 1973 and in 1974 BLMC and Chrysler UK both appealed to the government for financial assistance. Chrysler ultimately sold its UK operation to Peugeot and the UK government took a controlling stake in BL.

A government agency, National Enterprise Board, was established in 1975 to use government funds to promote industrial development in Britain, to facilitate industry consolidation where needed and to oversee those companies who had received capital injections from the government. Michael Edwardes, Managing Director of the Chloride Groups, one of the board's members had been highly critical of the way BL was being run; so when the Tory government was elected in 1979, Edwardes was approached to take over as BL's CEO.

One of Edwardes' early initiatives – and one that was strongly supported by the Thatcher government – was a strategic alliance with Honda. A mid-sized sedan designed by Honda would be built by BL and Honda in the UK and marketed as the Triumph Acclaim and the Honda Ballade. One of the rationales for the alliance was to stimulate demand for component manufacturing in the Midlands, a part of the UK that had seen steep declines in employment since the War. With a new model and a new manufacturer (Honda) suppliers of parts would prosper, employment

rebound, and economic growth return to a depressed part of the country. Unfortunately, things didn't go quite as planned.

Parts suppliers in the UK had been supplying essentially one company, BL and its forebears for years. BL, in contrast to Honda, had never considered quality process control and supplier quality management to be of strategic importance. Most firms were using manufacturing equipment that dated back to before WWII; their tooling was old and subject to significant manufacturing variability.

Honda, by contrast saw quality as critical and required its suppliers to guarantee tolerances within very tight bands, much narrower than could be achieved on the pre-WWII machine tools used by UK suppliers.

In the year leading up to the launch of the Acclaim/Ballade, Honda approached a variety of UK manufacturers with a request for bids for a contract to make gearboxes for the new car. The winning bidder would have to commit to specific tolerances – tolerances not achievable with the currently installed base of machine tools. Any firm awarded the Honda contract would have to upgrade its production machining to meet Honda's requirements, which would have needed significant capital investment.

There was also uncertainty as to how long the Honda/BL partnership would last. Would the Ballade make significant in-roads in to the UK car market? How committed was Honda to manufacturing in Britain¹?

¹ Britain in the 1970s was heavily unionized, wages were high compared to Japan, and opportunities for flexibility and innovation were limited.