

Book Review

When Rover Met Honda

The collaboration between two leading motor manufacturers **INSIGHTS AND MEMORIES**

By Kiyoshi IKEMI

Although it has now become nothing particularly unusual for two automobile manufacturers to cooperate with each other for mutual benefit, the collaboration undertaken by Honda of Japan and Rover of Britain late in the last century was unique even by today's standards.

As reviewed and analyzed in the book *"When Rover Met Honda,"* their collaboration started out with a modest project of Rover producing cars under license from Honda, and the two companies moved "step by step," rather than setting out an ambitious, long-term target from the outset; it expanded to joint development of an entirely new model, to joint production, to joint purchasing of materials and components, and finally to cross-shareholding. After 15 successful years, however, the collaboration came to a sudden end for reasons totally beyond the control of either party.

East Meets West

Perhaps more importantly, this was the first case in the world's automotive history in which a company of the East had joined hands with a company of the West. As the book's principal author Mike Carver states in the Preface, this book challenges the assertion by British poet Rudyard Kipling (1865-1936), who said, "Oh, East is East and West is West, and never the twain shall meet till Earth and Sky stand presently at God's great judgment seat."

Toward the end of the book, Carver says: "The book describes some of the ways in which Rover and Honda cast considerable doubt on whether Kipling's words applied to the modern world. Now plans in the East for the use [by Chinese carmakers] of what were once names of Rover vehicles show that Kipling's views on East and West are well out of date."

If the Honda-Rover collaboration was unique, the way this book is composed is also somewhat unconventional. Essentially, it is a collection of articles contributed by a number of former executives of the two companies who were directly responsible for the much diversified aspects of the collaboration. As Carver states, "Only the people working on the collaborative projects can properly reveal what was involved and what working with the other company was like. The book...is not intended to be a complete academic-type examination of the Rover-Honda collaboration."

The book starts out by reviewing the events leading up to Rover approaching Honda in 1978 after failing to find a partner in the European or American motor industry. "In summary," Carver says, "Rover went to Honda...to ask for help (although the request was not couched in quite such suppliant terms) in developing new car models." Honda responded by offering Rover the right to produce a Honda-designed model under license and sell it under the Rover name.

Carver recalls that in the course of negotiations, the two companies

were able to overcome cultural differences, which he says "are exaggerated, especially in business relations. There is great attention given to such things as business cards,

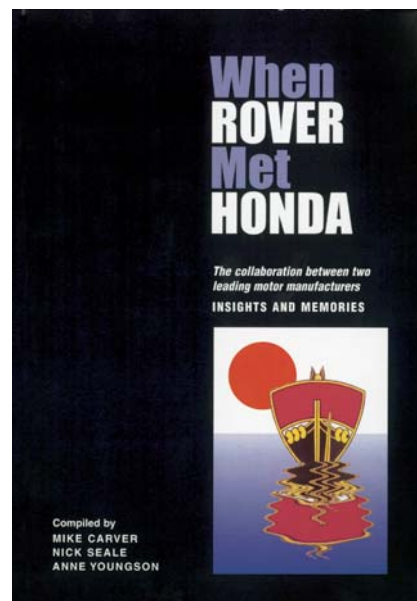
bowing and gifts – all superficial and covered by polite and sensible social behavior. Companies in the same business will have a common understanding of the business that overrides all such superficialities."

This does not mean, however, that the two sides were free from misunderstandings or suspicions. Carver states that in an early stage of negotiations, some senior Rover executives started suspecting that Rover was being forced to pay Honda excessively for the use of the design and for the components and capital equipment to be supplied from Honda because the basis for the mutually agreed prices "had to be taken on trust." He goes on to say such "trust was not in great supply in British and American companies when doing deals – a pity; the East has much to teach us on this."

After overcoming these and other problems, Rover and Honda finalized the wording of the license production agreement in September 1979. Although Honda was ready to execute it, Rover, which was owned by the National Enterprise Board, had to wait for the British government's approval of funding. With then Prime Minister Margaret Thatcher "no lover of Rover" in Carver's words, the approval did not come until December 23. Rover's chief executive Sir Michael Edwardes flew to Tokyo on Christmas Day for the official signing of the first agreement with Honda President Kiyoshi Kawashima on December 27.

Combining Resources

Encouraged by the big success scored by the license production agreement, which culminated in the launch by Rover of the *Triumph Acclaim* model, the two companies agreed in 1981 to jointly develop a new model in the "executive car" sector. As Nick Seale, a co-author of the book, says, this was the first time ever that two independent companies in the auto industry had combined their resources to develop a new model. "The goals," he says, "were laudable.... At the start, Honda and Rover had to agree what the car was to be, how it was to fit in each other's product ranges, how it fitted in their respective markets, what its main competition would be... Fundamental to the project was the ability to manufacture each other's cars. This dictated that key design aspects must be common and yet each company needed its car to appear unique and be identifiably a Rover or a



Compiled by Mike Carver, Nick Seale and Anne Youngson. First published in Britain in 2008 by CSY Publishing. ©The individual contributors 2008

Honda. The component commonality had also to be agreed.”

As an example of engineering problems that had to be tackled in this program, Seale points out that “Honda’s engines rotated in the opposite direction to every other car engine we had ever seen.” He adds: “The rest of the world’s engines rotated in a clockwise direction when viewed from the front of the engine. This goes back to the days of starting engines by hand. As the majority of people are right-handed, cranking by hand was much easier in a clockwise direction. Early motorcycles on the other hand were kick-started, and Honda’s early bikes started in an anti-clockwise direction.”

This unique joint development program led to the launch of the *Honda Legend* in 1985 and the *Rover 800* the following year (Photos). As Honda’s chief engineer at the time recalls, Honda benefited from this project in a number of ways. First, had it not worked with Rover, its entry into the upper end “executive” car sector would not have come so soon. Second, Honda learned a great deal from Rover’s skills in interior designs. Compared with what he calls the *Honda Legend’s* “Germanic, hard and cool image,” the *Rover 800* offered “soft, warm and glamorous” design, which proved quite popular among Japanese car buyers. Third, working with Rover made it much easier to source components in Britain and Europe than if Honda had done it alone. This helped Honda attain a high local content ratio of 80% required of cars produced and sold in Europe.

Everything looked rosy for the future of the Honda-Rover collaboration, which expanded to include further licensing by Honda to Rover, and supply of stampings and other components from Rover to Honda’s first European car manufacturing facility built in Swindon in southern England.

Beginning of the End

Ironically, however, in the words of Carver, “the beginning of the end, although nobody foresaw it at the time,” came in 1987 when the British government, as part of its wide-ranging privatization program, sold Rover to British Aerospace, known by the acronym of “BAe.”

Carver and his Rover colleagues took great pains to persuade Honda to continue the collaboration even after the change of ownership. He recalls: “Not only was Honda willing to carry on the collaboration, but they were now willing to talk about the possibility of Honda and Rover taking shareholding in the other company.”

“Up to that time,” he says, “Honda had resisted any such move, but now they were willing to consider it since they saw advantages of being formally linked to a European company at a time when anti-Japanese feeling was growing ever stronger in Europe. They also saw Rover as being stronger and more stable.”

After lengthy negotiations, a formal agreement was signed on April 14, 1990, which, reflecting the disparity in the size of the companies, provided that Honda take a 20% stake in Rover and that Rover become a 20% owner of Honda of the U.K. Manufacturing Ltd. (HUM), Honda’s manufacturing arm in Swindon.

A major turn of events came in 1993, when BAe revealed to Honda its intention to dispose of Rover and proposed that Honda increase its Rover stake. Carver’s analysis of Honda agreeing to such a proposal is that “in countries in which Honda operated, national interests were of prime importance and Honda saw Rover as important to



The original Honda Legend (left) and Rover 800 (right)

Britain and to British manufacture.”

In January 1994, Honda and BAe agreed the Honda stake in Rover would be increased from 20% to 47.5%, that BAe would retain 47.5% for a time, and that the remaining 5% would “in an undetermined way” be taken by Rover management and employees.

Carver goes on to describe how the Honda-Rover collaboration, which had been successful for over 15 years, started to crumble only a few days after the agreement on the stake increase was reached when BAe told Honda of its decision to sell Rover to German automaker BMW “unless Honda made a counter-offer at least as good as that from BMW for purchasing the whole of Rover for cash.”

Honda rejected the offer and BAe sold Rover to BMW.

Even today, Carver appears somewhat puzzled as to why BMW “had little awareness of Rover’s dependence on Honda.” A large majority of automobiles being produced by Rover at the time were of Honda design, and all agreements between the two companies contained “the usual clauses about termination being allowed” on a change of ownership. This meant that Honda could have terminated the agreements and “damaged Rover badly, or probably have closed it completely... BMW could not have provided adequate substitutes for these products... In the end, however, Honda decided that it could not put British jobs at risk by terminating the agreements.”

He concludes his review of the events by saying: “Thus, in the sense that Rover continued producing cars on Honda designs, Rover/Honda collaboration continued into the BMW era. Nevertheless, the sale to BMW was the real end to what had been a remarkable industrial episode.”

Was It Worth It?

The final question he asks in the book is: “Was it worth it?” His answer is an unequivocal “yes.” Rover came within “three years away from being fully competitive in manufacturing.” Honda was able to expand with links with a European company and “learned a good deal from Rover about operating in Europe and benefited from being exposed to European ideas on various aspects of vehicle designs.” The people involved worked with “commonsense and goodwill,” and “learned much about the other nation, enjoyed the relationship and broadened their experience to a degree that would not have been possible for them by any other means.”

The book “*When Rover Met Honda*,” which has been compiled by three former executives of Rover, provides detailed and objective analysis of the unique collaboration between the two companies. As it contains candid and straightforward remarks from those individuals who were directly involved in the project, the book should be a valuable source of information for whomever may be contemplating cross-border collaboration, not just in the automobile industry but in other segments as well.

J.S.

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