

# Automotive News

## HONDA'S AMERICAN JOURNEY

### Honda develops U.S. suppliers willing to sweat the details

When a supplier gets a contract and proves its worth, it also gets a long-term relationship

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When Honda started building autos in the United States in 1982, less than 30 percent of the parts for the first Accords were made in North America. Engines and transmissions, for instance, were shipped from Japan.

But today more than 80 percent of parts for Hondas made in North America are produced in North America. From the beginning, Honda made it a priority to develop suppliers here.

#### Coaching suppliers

**Turning point:** Honda decides to boost the product development abilities of its North American operations.

**When:** 1987

**Significance:** Honda taught many U.S. suppliers to become more competitive, creating a stable source of high-quality parts.

#### Coaching Pays Off

Take Michigan stamper GHSP Inc. In 1993, Honda began tutoring the company on how to cut costs and boost quality. In 1995, Honda coached GHSP's product design while both were developing the 1998 Accord's automatic shifter.

In 2004, GHSP became Honda's first North America-based sole-source supplier when it won a contract on the 2006 Civic global platform.

The company, in Grand Haven, Mich., builds 600,000 transmission shifters a year for the Civic. Many of those shifters are exported to Civic assembly plants in Thailand, Japan, China, Brazil and the United Kingdom.

It was difficult learning the Honda Way, says Don Niskanen, GHSP's chief engineer, who has handled the Honda engineering account since 1996.

"It took a lot of flexibility to give the Honda Way a chance and understand their culture," he says. "It's a lot about a collaborative environment at Honda, and we embraced it. But it was uncomfortable initially."

For example, when GHSP's prototype for the 1998 Accord shifter failed to meet specifications, GHSP

wanted the revised part ready when mass production started. Honda wanted it earlier — before drawings were released for production.

"Honda was upset that we were slow in supplying a fully mature prototype," Niskanen says. Honda makes the mass-production parts just like the final prototype.



GHSP builds shifters for the Civic.

### **U.S. content is cheaper**

In 1987, Honda made a commitment to make its North America region capable of full product development, from engineering and design to manufacturing — with a supply base wrapped around it, says Honda spokesman Ed Miller.

"The first product of that capability was the 1997 Acura CL, Miller says. "It also was the first Japanese luxury car made in America. Today we have a long list of U.S.-designed products."

Building up local companies helps Honda in various ways. Shipping costs are lower for U.S. parts than for parts made in Japan. And parts shipped from Japan can take 60 days to reach a U.S. factory, preventing swift feedback if a part is defective.

When a supplier gets a Honda contract and proves its worth, that effort is rewarded with a long-term relationship.

"It takes a lot to become a Honda supplier," says GHSP CEO Paul Doyle, whose company generated more than 40 percent of its 2007 sales of \$170 million from Honda, "and once you are on the journey with them, they are committed to seeing you succeed.

"They don't demand perfection; they expect continuous improvement and responsibility."

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In 1986 Honda selected GHSP as one of their first U.S. suppliers. Their selection paid off. Today we are proud to have won the 2009 Honda Lean Network High Performance Award – an honor given to Honda's top North American supplier.

With our products now supporting Honda platforms around the globe, we are really looking forward to the next 50 years.

Congratulations Honda – and thank you.