**INTRODUCTION:**

Hero Honda (Now Hero MotoCorp Ltd.) is an Indian motorcycle and scooter manufacturer based in New Delhi, India. It was founded in January 19,1984 by Dr. Brijmohan Lall Munjal. The company is the largest two-wheeler manufacturer in the world, and also in India, where it has a market share of about 46% in the two-wheeler category. The 2006 Forbes list of the 200 World's Most Respected Companies has Hero Honda Motors ranked at #108. On 31 March 2013, the market capitalisation of the company was ₹30,800 crore (US$4.7 billion).

Hero Honda started its operations in 1984 as a joint venture between [Hero Cycles](https://en.wikipedia.org/wiki/Hero_Cycles) (sometimes called Hero Group, not to be confused with the [Hero Group](https://en.wikipedia.org/wiki/Hero_Group) food company of Switzerland) of India and [Honda](https://en.wikipedia.org/wiki/Honda) of Japan. In 2010, when Honda decided to move out of the joint venture, Hero Group bought the shares held by Honda. Subsequently, in August 2011. In June 2012, Hero MotoCorp approved a proposal to merge the investment arm of its parent Hero Investment Pvt. Ltd. with the automaker. This decision came 18 months after its split from Hero Honda.

"Hero" is the brand name used by the Munjal brothers for their flagship company, Hero Cycles Ltd. A joint venture between the Hero Group and Honda Motor Company was established in 1984 as the Hero Honda Motors Limited at [Dharuhera](https://en.wikipedia.org/wiki/Dharuhera" \o "Dharuhera), India. Munjal family and Honda group both owned 26% stake in the Company.

**REASONS FOR CONFLICT:**

1. Issue of exports:

According to the shareholder’s agreement signed in 1984, the joint venture was only for domestic production and consumption. The agreement was subsequent, modified to allow exports of limited products to a few countries, namely Sri Lanka, Bangladesh, Nepal, and Columbia. However, in 2008, when the issue of exporting the Indian JV’s products to other countries came up, Honda was of the opinion that Hero Honda will have to compete on its own since it could not influence its subsidiaries abroad to import the JV’s products. Honda’s subsidiaries are run very independently and decide which countries they want to source their products from. This was the start of some cold game war within the company.

2. Board representation:

Through the four Honda representatives on the board of Hero Honda, Honda had access to all the strategies & plans of Hero Honda, while Hero Honda had access to none of Honda’s plans. This, Hero Honda, had felt amounted to a conflict of interests.

3. Investment in R&D:

Hero Honda wanted to scale up its business & wanted to enter the next Growth phase by focussing on manufacturing its own products & Investing in its own R&D to which Honda was not comfortable.

4. Direct competitor:

Honda’s Indian subsidiary Honda Motorcycles and Scooters India Pvt Ltd (HMSIPL) decided in 2010 to launch motorcycles, the segment that formed over 70 per cent of Hero Honda’s sales. Hero Honda’s apprehension was that HMSIPL motorcycle will become a direct competitor to its largest selling bikes – Passion and Splendor. Also, this was against the terms of the agreement.

Eventually all these events lead to a bigger conflict.

**CONSEQUENCE:**

1.Post the JV Break up, Hero MotoCorp has seen a consistent drop in its domestic market share over the last 5 years from 48% in FY10 to 40% in FY15(A fiscal year (FY) is a period that a company or government uses for accounting purposes and preparing financial statements.). On the contrary, Honda Motors with 26% market share has significantly closed the gap with Hero after the two broke their relationship four years ago. Also since the JV exit in 2011, Hero MotoCorp has seen only 5% CAGR(Compound Annual Growth Rate) growth in its production volume in the domestic market & has had a poor domestic performance due to sluggish rural demand leading to declining sales in its economy bikes such as Splendor & Passion, which account for 70% of its volume.

2. With rising competition in the low-margins entry-level segment, in a bid to grow faster than the market, Hero MotoCorp will be required to grab higher market share by launching new innovative products even if this means at the cost of margins in the mass market segment, where already it is losing its appeal. Also for margin expansion to happen, Hero will have to focus on introducing high-margin high-end products which have a better appeal to the customers.

3. Hero had actually realised this lacunae and joined hands with US-based Eric Buell Racing (EBR), a racing bike specialist, to develop motorcycles that could take on Bajaj. Hero had bought 49 per cent in EBR, in order to tap the American company's high-end bike technology. However, EBR suddenly filed for bankruptcy protection, and projects for which technology was being provided by EBR faced a freeze.

4. In contrast to its setbacks, Honda Motorcycle and Scooter India (HMSI), a subsidiary of Japan's Honda Motor Company, has grown rapidly after its separation from Hero MotoCorp. From a share of 13 per cent of the domestic two-wheeler market in 2010-11, HMSI closed 2014-15 at 27 percent, whereas Hero's share of the scooter market, which stood at 45 per cent in 2010-11 just before the divorce with Honda, was 40 per cent in 2014-15.

This shows us that the growth strategies adopted by Hero towards tapping the mass market hasn’t been any good for hero itself.

**HOW THEY RESOLVED:**

They parted into 2 separate companies Hero MotoCorp and Honda running individually. Hero got the complete control over India’s biggest 2 wheeler company and developed their own R&D also got full independence to invest in foreign markets which they were previously restricted by honda. Both the company had to start from the very beginning as if they were a startup and another major problem was the marketing part where hero launched new logo and brand name as hero Moto Corp with new tagline as well . The Hero acquired 49% stake in ERC (Eric Buell Racing), a motorcycle sport company which produced street and racing motorcycles based in East Troy, Wisconsin, United States. EBR filed for bankruptcy in 2015 and Hero Motocorp proceed to acquire certain assets for ₹18.2 crore (US$2.8 million).

**OPINION:**

Both company faced huge losses due to separation. Honda lost most of its business share in India’s market and meanwhile Hero’s market share also declined substantially. This split let to a decline market share for Hero from 65% to 49%. So, one can say that the conflict was not properly resolved. They must have tried to cooperate each other as after partition neither hero got two wheeler parts nor much needed technology from honda and it was unable to recapture Indian market with the same brand value. The closest ally of Hero, Honda was now their strongest competitor. They also had to watch over other competitors like TVS and Bajaj which would have been profited if anyone of both would be in loss. The disputes were not resolved in an open and discussing manner.