

HONDA MOTOR

The Men, the Management, the Machines

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1. A Blueprint For The 1980s

As individuals, Japanese often lack dominant personalities but they usually establish a very strong identity as part of a group - whether that be a family, a corporation or a nation. While most Western corporations are simply organizations seeking profits, Japanese corporations tend to become communities serving their employees. American corporations generally follow a system of individual responsibility, while group responsibility is more important to the Japanese.

Professor Raymond Vernon of Harvard University put forward the product cycle model which states a corporation goes through periods of new product integration, rapid growth, maturity and decline. Multinationalisation is aimed at maintaining an advantageous share of the market. When a company launches a unique product and enjoys a competitive edge over its competitors, it initially exports finished products and will eventually expand on the strength of cheaper capital to other countries.

The Western automobile manufacturing industry is a mature industry, with less technological revolutions than newer industries such as electronics and computers. As a result, the industry managers are cautious about investing in new facilities and greater stress is placed on short-term profits rather than long-term strategies. The current plight of the Western automobile manufacturers is not the result of the poor quality of labor but the failure of management to institute long-range strategies or to modernize production facilities.

Japanese auto makers have always specialized in the production of compact, fuel efficient cars. In the 1950s, the Ministry of International Trade and Industry adopted a policy of developing the automotive industry as a strategic industry with guidelines to develop a mini-sized car for the masses. Since then, Japanese auto makers have continued to implement technology in the field of compact cars. When the first oil crisis of 1973 struck the world, Japanese compact cars were found to be exactly in line with the market and Japan's auto exports rose sharply.

The American auto industry's woes were the simple result of a miscalculation about the future demand and projected returns for large-sized cars. Large corporations rarely admit to errors in their financial projections and the Japanese auto industry has proven to be a handy scapegoat.

In 1981, the Japanese automotive industry agreed to voluntarily limit car exports to the United States. This in turn led to the Japanese auto makers setting up organizations in Europe, the United States and other countries in order to become multinational corporations. All these events have led to a reorganization of the automobile industry on a global scale.

The strong competitive power of the Japanese has always rested on two major achievements - technological superiority (including innovations) and superiority in production. It is particularly the second point, production superiority, that has been a hallmark of Japanese commercial success. This includes modern and streamlined production facilities, high quality work force, up-to-date production tooling, close relationships with suppliers and a workers sense of participation in the company.

This leads to the question of whether Japan's corporations can establish overseas plants successfully. In the West, corporations have multinationalized on the strength of cheaper capital and a technological edge. Japanese automotive companies have

multinationalized on the strength of their competitive edge in production techniques.

Honda Motor's "Company Principle" reads,

"Maintaining an international viewpoint, we are dedicated to supplying products of the highest efficiency at a reasonable price for worldwide customer satisfaction."

This principle was adopted in 1956 when the company was quite small.

Honda Motor's policy has never been one of simply trying to export because the domestic market was saturated, nor of investing or trying to build plants abroad because it was so requested by foreign countries.

In 1982, Hideo Sugiura, executive vice president of Honda Motor said the company's fundamental management policy can be stated in four parts;

- *Create New Markets.* We should not try to sell things just because the market is there, but we should seek to create a new market by understanding the potential needs of customers and fully utilize our technology to meet those needs.
- *Employee Participation In Management.* We believe that good corporate management must be based on trust. The management and employees should share a common goal, so that each individual will play a specific role.
- *Internationalization and Local Community Relations.* A prerequisite to successfully establishing our overseas operations is to make our products acceptable as well as making ourselves accepted as good corporate citizens in each community.
- *Direct Approaches.* In achieving goals and solving problems, we have made it a cardinal rule to make direct approaches with straight thinking - free from precedents, customs or popular views. Thus we have pursued methods different from those of other companies, based on our own way of thinking, and by reinforcing this difference, we have consolidated our own corporate identity.

Honda Motor is now carrying out a wide-ranging program of international strategies. This international outlook is motivated by the company's confidence in the future of its technology. Kiyoshi Kawashima, president of Honda Motor says,

"We did not mean to do anything particularly unique. It is only that we thought about these problems from a serious, broad and long-range viewpoint. We will not close our doors to an opportunity for coexistence and coprosperity if that can be achieved on a mutually beneficial basis with another manufacturer of whatever country. Honda Motor will continue to carry out independent corporate management on the principle of equality, complementation and mutual respect of identity."

In the automobile industry, success is a matter of scale. The more cars of the same type that are produced, the lower the costs of production. The strong become even stronger while the weak perish. Japan has had a saturated car market since the early 1970s. Since then, Japanese manufacturers grew through their exports. Today, however, the Japanese automotive industry can expand only through the process of multinationalisation, and by cooperating in the global reorganization of the industry. Japanese

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