

# Competitive strategies of honda corporation



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In the modern corporate culture the level of competition is increasing day by day. The main objective of each organization is to enhance its performance and to attain sustainable competitive advantage in relation to its competitors. Change is a constant in present corporate culture. In such changing environment having a single strategy is not enough for organizations success. To attain sustainable competitive advantage the organizations try to adopt strategies better than their competitors.

Organizations strategies help them to achieve a different and unique place in market. Only formulating a strategy cannot help organizations to remain competitive. The organizations after formulating any strategy should test it whether it will be able to help them gain competitive advantage in any particular market or not. Following the same strategies may not help the organization to attain sustainable competitive advantage, as its competitors may formulate better strategy. Hence the organizations should adopt strategic change.

Honda Corporation is one of the world's largest automobiles and motorcycles manufacturer. It was founded in 1946. Since then it has managed to make a unique and distinct place in market. In this essay the Honda Corporation case study will be discussed. This essay will also include a critical evaluation of the strategies that Honda Corporation adopted and how those helped to achieve a competitive advantage in market.

Research Findings Webster cited in Richard (1996) defined strategy as, " The large-scale planning and direction of operations". Strategy can also be explained as a way of referring to what one did to counter a competitor's

actual or predicted moves (Steiner cited in Nikols, 2010). From a business point of view strategy can be said as a process through which the organizations are able to analyze and learn their resources and their environment. Chistensen & Donovan (2009) stated that, " As organizations dive deeper into the undefined waters of the new economy and as traditional business models are being turned inside out, it is crucial that leaders of established and start-up companies alike understand the processes by which strategies are shaped, in order to guide their companies effectively".

This is done to learn about the opportunities that the organizations have in the market they are dealing in and regarding the products they are providing. This also assists in making decision regarding the investment of the resources which lead to achievement of the business goals. Chistensen & Donovan (2009) also stated, " Understanding the key dimensions of the process can help executives keep their hands more precisely on those levers that control how strategy gets defined and implemented, and to adjust the workings of that process as the competitive environment changes".

Honda Motor Company made a special place in market. Rumelt (1995) stated about Honda corporation that, " Like General Motors, IBM, and General Electric, this company has joined the elite club of firms that used, or have been used, as exemplars of successful business strategy". The Honda Corporate has two basic strategies, those are " Respect for the Individual" and the second is " The Three Joys". The " Respect for Individual" approach refers to have an equal treatment with each and every individual related to the firm and to respect their individual and unique characteristics. " The

Three Joys” are referred as “ The Joy of Buying”, “ The Joy of Selling” and “ The Joy of Creating”.

Through this approach the Honda Company tries to share a sense of joy with each individual that has a concern with the it, either it be direct or indirect through the products. By applying these two approaches Honda Corporate has managed to achieve sustainable competitive advantage by creating a new value and by providing products of the highest quality at a reasonable price, since its establishment. A good strategic statement includes three critical components; those components are objective, scope of business and competitive advantage. Collis & Rukstad (2008) stated that, “ A strategy statement must begin with a definition of the end that the strategy is designed to achieve. “ If you don’t know where you are going, any road will get you there” is the appropriate maxim here”.

While formulating objective the organization should not only focus on the end result but it should also try to frame the time limit for achieving it. Objectives are also formulated at two level; short-term objectives and long-term objectives. Mostly the organizations focus only on short-term objectives as they are easy to achieve. For organization it is of equal importance to focus on long-term objectives as well. Martella (2001) defined long range objectives (long-term objectives) as, “ The process by which the leaders of an organization determine what the organization wants to look like at the end of a specified period of time - usually three to five years - then use that vision to establish multi-year goals and objectives which describe what the organization wishes to accomplish, and develop programs, tasks, and timelines for achieving them”.

As the long-term objective takes more time to accomplish and to pay off, hence managers least focus on it. Long-term objectives can be referred as organizations goals that determine their true strengths. The long-term planning helps the organization to predict the future possibilities and conditions whether it be internal or external and to make plans how to function in them more effectively. The long-term planning is not as specific as the short term due to the reason that it involves multi-year projection (Martella, 2009). Goodstein, Nolan, and Pfeiffer cited in Nikols (2008) also defined it as, “ the process by which the guiding members of an organization envision its future and develop the necessary procedures and operations to achieve that future”.

Determining an organization’s long-term objective helps it to answer the question ‘ where is the business now?’. Managers focusing on long-term objectives are able to understand their business as much as possible. Achieving short-term objectives are the steps to achieve long-term objectives (Peterson & Kim, 2000). Honda Company has a long-term objective to supply the quality products at a reasonable price for the worldwide customer satisfaction. Honda has made several strategies to produce best products at low price. One of these strategies is to Honda’s low-cost hybrid strategy. Anonymous (2010) stated that, “ Honda hopes that shifting its hybrid battery technology to lithium ion – which packs more power in a smaller space- will help the company gain an advantage over Toyota”.

After determining the direction the next step that the organizations take is to determine the scope of their business. It is very essential to determine the

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scope of business, because mostly the organizations compete in a more or less unbounded landscape. (Dager, 2008). Determining the business scope helps the organization to identify the boundaries of its operations. At the beginning Honda was just a Technical Research Institute. Since then it broadened its boundaries and now it is a Multinational Corporation. It also broadened its variety of products which increased its business scope worldwide. At present it is one of the biggest manufacturers of automobiles, power products, generators, motorcycles, etc in America. Broadening the scope has helped Honda to maintain a top position in the market.

While formulating the business strategy it is very important to incorporate it with the competitive advantage management. It is the third and the most important component of a strategy. Worth (2010) defines states that, “ A competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices”. Knowing the competitive advantage of business the organizations can position themselves in the market. Kunin cited in Rumelt (2003) stated that, “ According to one school of thought, value is created by favorable terms of trade in product markets.

That is, sales in which revenues exceed costs. Another school of thought holds that advantage is revealed by “ super-normal” returns”. Understanding the competitive advantage of the organization over the competitors is the key to create a dominant and distinct position in market. Michael Porter suggested that there are two types of competitive advantage; cost advantage and differentiation advantage. The cost advantage strategy refers

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to the achievement of low cost for the firm's operations (Barney cited in Rumelt, 2003). By applying this approach the organization tries to deliver the product or benefit of same quality as of its competitors but at a lower price. Honda has adopted the cost advantage strategy in several markets. Honda always tries to provide good quality products at lower prices. One of the examples of its approaches for cost advantage is its low-cost hybrid strategy. Differentiation advantage refers to providing something new and unique to the consumers which values more than offering a low price (Dranove cited in Rumelt, 2003).

Through differentiation approach the organization tries to differentiate its products as compared to the competitors. Each organization has the opportunity to differentiate its products from its competitors, although the range of differentiation opportunities depends on the characteristics of the product (Dranove cited in Rumelt, 2003). Honda being in the automobile company has a great opportunity to differentiate its products. It always tried to produce better and unique products. One of its examples is the Kinetic Honda with electronic ignition, to avoid kick-start. Along with formulating a strategy it is also vital that organizations have a continuous analysis of the environment it is in and to identify its position in market. In order to create an effective brand the firm first needs to know its business's position in market.

Firms can identify and determine their business position in three ways. Firstly by figuring and clarifying the unique characteristics and the point of difference that apart those from their competitors and that attract the customers to their products (Hoffman, 2000). Secondly the firms need to

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decide its customers i. e. segment the market. The firm should not try to please each and every individual in all ways; rather it should focus on a set of potential consumers and try to please them in an extraordinary way. Thirdly the firm should determine its place in the competitive landscape (Hoffman, 2000). Honda is the fifth largest manufacturer of automobiles and the largest manufacturer of motorcycles all over the world. The reason of it remaining on the top of the list is its market positioning strategy. Honda always tried to satisfy different customers in different ways; depending on their taste, lifestyles, incomes, etc. As the change is constant in the business environment, hence the organizations should constantly analyze and study the environment they are operating in.

This will help the firm to position itself in the environment appropriately. There are several environmental factors that can affect the organizations operation; hence it is vital for the firm to constantly analyze its environment. There are two types of environmental analysis; external environment and internal environment. To analyze an organization's external environment PESTEL analysis is used. Downey (2007) stated about PESTEL analysis that, "PEST analysis is a scan of the external macro-environment in which an organization exists. It is a useful tool for understanding the political, economic, socio-cultural, technological, environmental and legal environment that an organization operates in". PESTEL analysis serves as a measurement tool for the organizations. It helps to review the firm's strategy and to identify its position.

Listing the PESTEL factors is not of much help for organization as it does not tell managers very much. However, the managers should try to identify the <https://assignbuster.com/competitive-strategies-of-honda-corporation/>



possibility of any factor to change and to what extent the change can occur. By knowing the possibilities of change in any factor the managers can identify what impact that factor can have on the organizations operations (Downey, 2007). From a resource based view strategy can be defined as; “The match an organization makes between its internal resources and skills... and the opportunities and risks created by its external environment” (Grant, 2001).

From a resource based view the organizations can attain sustainable competitive advantage by having superior resources and capabilities as compared to those of their competitors. By adopting the resource and competency approach the organization can align its offerings and its goals with the market it is in. through this approach the organization is able to recognize its Opportunities and Threats. This strategy also helps to identify the Strengths and Weaknesses of the organization. By knowing the Strengths and Weaknesses of the organization and the Opportunities and Threats for it in the market; it can utilize its resources and capabilities in a much better way. Bartol & Johnson (2010) believed that, “ SWOT is a general tool designed to be used in the preliminary stages of decision-making and as a precursor to strategic planning in various kinds of applications”.

Batol & Johnson (2007) further stated that, “ In its simplest form, a SWOT analysis can be understood as the examination of an organization’s internal strengths and weaknesses, and its environments opportunities, and threats”.

To analyze a resource of being any competitive advantage or not VRIO is used as a tool. VRIO is an acronym of value, rare, imitable and organization. According to the VRIO strategy the organization’s resources should be

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valuable, rare, difficult to imitate and should also be well-organized (Mifflin, 2007). Honda has adopted VRIO strategy to create valuable products and low costs. Michael Porter proposed a theory named 'Porter's five forces of competitive position analysis. In this theory he proposed a basic framework which can help to assess and evaluate the position and the competitive strength of any organization.

Porter's five forces are supplier power, buyer power, competitive rivalry, threat of substitution, and threat of new entry. Porter believed that the competitive intensity and attractiveness of a market can be identified and determined on the basis of these forces. According to Downey (2007), "Porter's five forces theory is useful both in understanding strength of and organization's current competitive position, and the strength of a position that an organization may look to move into". Honda corporate also utilizes the porter's forces analysis. Honda faced many problems but yet stands on the top position. The reason is its strategies and their implementation. Honda being the first mover of motorcycle business in market had an advantage to build a good reputation and commitment with the consumers. But being first mover it also had the threat of imitating leadership. At present Honda has many competitors such as; Harley Davidson in USA market, Triumph in UK market, Moto-Guzzi in Italy market, etc.

The organization after identifying its objectives and after formulating strategies should align them with each other. The process of aligning the corporate objectives and the strategic planning is known as Strategic Management. Nikols (2007) stated that, "Strategic management consists of the analysis, decisions, and actions an organization undertakes in order to

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create and sustain competitive advantages”. The strategy analysis refers to ‘strategic positioning’ i. e. the impact of the internal resources, the external environment and competencies, and expectations of stakeholders on a strategy (Johnson and Scholes cited in Lees, 2008).

Strategic decisions refer to the strategic choices that an organization can make among the alternative strategies (Nikolas, 2008). By making right strategic choices the organizations can appropriately position themselves in market. Honda corporate has a distinct position in market. Its strategies helped it to position itself not only on number one position in Japan but it is also considered as a customer friendly company due to its products for common man. It also has a broader scope in market due to its approach for innovating new products.

## Conclusion

To sum up this essay was an approach to critically analyze and evaluate the Honda Corporation case study. For any organization to remain competitive in the market needs to identify its objective and to plan strategies in order to achieve those objectives. These strategies help the organizations to sustain a competitive advantage in the market. Honda Corporation adopted different strategies to achieve a distinct place in market. At present Honda is the largest manufacturer of motorcycle all over the world and the 6th largest manufacturer of automobiles. The main reason for its success is its efforts to provide superior quality products as compared to its competitors in a low price. One of the reasons of its competitive position in market is the

continuous innovation in products since its establishment. Honda positioned itself in market in terms of value for money.