

Analysis of the strategic model of honda motors that brought success to the compa...

[Business](#), [Company](#)



Introduction

Strategy is the large-scale planning and direction of operations. It pertains to a process by which a firm searches and analyses its environment and resources. Due to this increasing demand for the strategies which actually works out practically, there have been an increase in number of private label companies specifically focusing on strategy development. A \$500-million-a-year “ strategy” industry has emerged in the United States and Europe comprised of management consultants, strategic planning staffs, and business school academics. Strategy formulation is generally assumed to be driven by senior management whom we expect to set strategic direction has been extensively influenced by empirical models and concepts is often associated with a laborious strategic planning process that, in some companies, has produced more paper than insight. Words often derive meaning from their cultural context. Strategy is one such word and nowhere is the contrast of meanings more pronounced than between Japan and the United States.

The roadway for Honda

Market share loss and profitability declines, and scale economy disadvantages in technology, distribution, and manufacturing are the two factors leading to let downs for a company like Honda. Before entering into the market, there was a stereotype that the motorcyclist was a leather-jacketed, teenage trouble-maker and the names like “ Hell’s Angels,” and “ Satan’s Slaves” gave motorcycling a bad image. However Honda came up

with its policy of selling, not primarily to confirmed motorcyclists but rather to members of the general public who had never before given a second thought to a motorcycle. They started with the smallest, lightweight motorcycles. Honda followed a policy of developing the market region by region. They started on the West Coast and moved eastward over a period of four-five years thereby capturing a market share of 63%.

Honda's ultimate position of dominance was because of six Japanese executives, all were in sixties, of that 3 were retired. Later the innovation was taken forward and a team of qualified people were responsible for Honda's engine innovations, products that were industry first and then came the 50cc three speed motorbike which appears as a cycle was a great hit so far and many more taken forward from there on. Honda still working with its original Los Angeles advertising agency, its ad campaigns straddling all customers so as not to antagonize one market in pursuit of another. An organization deals with miscalculation, mistakes, and serendipitous events outside its field of vision is often crucial to success over time. It is this realm that requires better understanding and further research if we are to enhance our ability to guide an organization's destiny.

BCG report: It states that the motorcycle industry in Japan, and particularly Honda, presents a steady picture. The philosophy of the Japanese manufacturers is that by using capital intensive and automated techniques and producing high volumes per model there is a potential for high productivity. In the report it was found that their marketing strategies are focused towards developing high model volumes, they are giving attention

on growth and market share. They believed that in US everything was bigger & luxurious, the reason why Supercub was not pushed. Some retailers wanted to sell Supercub, mainly sports dealers. Then in 1963, an undergraduate advertising major submitted an ad campaign to Honda: " You met the nicest people on Honda". Honda effect: - Honda did consider the human factor. It successfully dealt with his calculations, mistakes & unfavourable events outside its vision, which led to their success. Another important factor for competitive position is technological advantage. Bell laboratories, IBM, Xerox copiers etc. are examples of the same.

It was found that the start-up inventory was heavily weighted towards larger bikes. The reason why Honda started in a smaller scale was the stringent government regulations and unfriendly reception. Also Los Angeles was chosen because it had large second and third generation. The motor cycle business occurs during season of April to August, which the company was unaware about. Honda decided to go to retail direct. Ads were also published in magazines. Honda managed to get to dealers by 1960 but then disaster struck. Reports started coming that the bikes had oil leak. The major reason was that bikes were driven faster in US than in Japan. The testing lab worked 24x7 to redesign the head gasket and clutch spring to solve the problem.

During this time things took an unusual turn. The officials used the super cub 50cc to roam around the city, which attracted attention. A table given in the article describes the environmental changes over two decades, and states that there are many differences in the way companies play in the market, like they have shifted from a ' rules' based competition which changed to

methods like force continued innovation, price cutting, quality improvements which results in competitive instability.

The perspectives undertaken by Honda are as discussed below:-

Strategy: Initially the Japanese automotive manufacturers badly missed the mark. Mazda miscalculated with its first rotary engine and nearly went bankrupt. The Japanese did not focus on high quality small cut market but they tried to build what they can and sell it abroad. The Japanese cumulated impact of little brains like salesman, dealers and workers who contributed to quality and the market position they have today. The top management encourages the lower levels of employees for moving of information and ideas from bottom to top. They focus on strategic accommodation or adaptive persistence.

Organisational Structure: Earlier the organisation followed decentralisation followed by matrix format but these were failures. Knowledge, proven track records, reputation, trust, confidence of employees are important for distinguishing one from another. Reorganization is one important step as it disrupts essential network before they become fully rooted. Structural solutions are simply not fine enough instruments in and of themselves to assure these delicate trade-off. To succeed structure requires reinforcement from the other managerial factors.

Systems: It shows how information flows between the hierarchies of the organisation. It shows how communication occurs to establish how appropriate and quickly an organisation can respond. These systems are not

fast in how they work but they influence the daily work life of people.

Organisation follow hard copy system and informal systems which deals with conflict resolution and meeting formats which are dealt openly and directly.

Japanese adopt the informal system which helps them to understand the formal system through informal jesters of employees.

Style: It relates to how to manage allocates time and attention. Henry Mintzberg's research on managerial span of attention found out that an average length of time on anything is nine minutes. Whereas subordinate observes their bosses and their behaviour on managing time. There are three powerful mechanism for conveying time and attention messages. They are in-basket, telephone and calendar. They helps to understand pending works, budget overrun, who gets calls, what the boss asks, who gets in, when boss is outside the office etc.

Staff: Organisation go through consistent steps to ensure the employees are committed and productive. They focus on beginners. They are allowed to understand the work situation and gets adopted to the work environment, and the qualified force is selected from the same. They are given targets beyond which could be achieved in order to stretch their potential. They keeps milestones to be achieved in a span of few years. Frequently get-together are conducted and employees are appreciated, this also encourages the low performing force to upgrade themselves. Availability of role models is one great towards it, which helps employees to be more productive and effective.

Shared Value: It refers to overarching value system that ties the purpose of the corporate to the customer, society and higher order human values.

Company should be true to its commitment to employees, customers and society. In order to achieve sales or ROI these commitment should not be compromised. It is concern with development and wellbeing of employees establish the moral context for this social contract. This helps employees to be more attached to the company. This is one under publicised secret weapon of great self-sustaining companies.

Conclusion

Through this article, we try to understand the expansion strategy of Honda and success story of its journey to world's leader position through product innovation & development, operational efficiency and energy technologies. In addition, understand the challenges in creating an adequate strategic model. They followed a broader framework across the organisation for the holistic development and focused on multiple perspectives as all these parameter were interdependent and necessary for the success of a business model. They are:

Strategy

Structure

Systems

Style

Staff

Shared values

As it had been observed that, these parameters in silo did not prove to be effective and often failed to give desired results. Honda motors strategy was to mainly focus on building its image as classic everyone's everyday motorcycle with advertisement agenda as - " You meet the nicest people on Honda." However, they did not ignore other aspects of the business, they moulded themselves and customized their products according to regional preferences. Also it worked hard to bring harmony in employee by minimizing the hierarchical gap.

References:

Richard T. Pascale, " The Honda Effect", (CMR Forum)