

# Evaluating strategic management inside honda motors



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Honda is a Japan-based automobiles company. It is a well-known company for the production of cars and motorcycles. Honda automobile company offers various varieties of vehicles, ranging from compact, fuel-efficient cars to SUVs, minivans and trucks. It is one of the top automobile manufacturers in the world and is well-known for producing affordable and reliable forms of transportation.

This report contains a comprehensive study of Honda automobiles. It looks at the current strategies of Honda automobiles, that how they put their strategies to implement their objectives. The main purpose of the report is to analyze the business Honda automobiles and how they compete with their competitors.

## **2.0 Objectives**

To research into the current strategic position of Honda motors.

To critical analyze the external and internal environment of Honda motors.

To design a selection of strategic option utilising the internal and external analysis

## **3.0 Company Overview**

In the global market scenario, Honda is the world's largest engine manufacturer and market leader in Automobile. Honda has been operating 120 manufacturing facilities in 29 countries and employs 167, 231 people worldwide. Honda has expanded in main markets following years i. e. In 1959 Honda established its first overseas subsidiary, American Honda Motor Co. Ltd, 1964 Honda established its first Asian subsidiary in Thailand, Asian

Honda Motor Co., Ltd. 1965 Honda (U. K.) Limited established in London (the first market of Honda in, Europe) 1971 Honda Motor does Brazil Ltd. established in Sao Paulo (presently Honda South America Ltda.)

The key point lead to Honda's success is the continuous innovation that was found by Mr. Honda as a basis. In today's automobiles world Honda is a largest manufacturer of motorcycle and it stands at a 9 largest automobile manufacturer in he world. The market share of Honda until now is 10. 2 percent and it is ranked as No. 5 in UK (the most particular/fastidious market). In United Kingdom, North America and Asia's automobile industries, Honda Company becomes a technological force in the motorcycle sector.

### **3. 1 Mission and Vision:**

#### **MISSION**

“ Maintaining a global view point and we are dedicated to supplying products of the highest quality, yet at a reasonable price for worldwide customer satisfaction”.

#### **VISION**

“ Striving to be a company society wants to exist”.

The main focus of Honda is on the developing a technologies and products in the two areas, electro-motive technology and motorcycles to create breakthrough for the future.

## **3. 2 Strategy of Honda Motors**

### **3. 2. 1 Enterprise Strategy**

Honda wants to have its operation in worldwide to supply the highest quality of products at a reasonable price, with a dedication of consumer satisfaction. With new challenges in pursuit of quality, technology and initiative, Honda is pursuing their vision by striving a company society who wants to exist through creating the new value, globalization and commitment for the future. Moreover, Honda wants to take new challenges with the pursuit of Initiative, Technology and Quality.

### **3. 2. 2 Corporate Strategy**

Honda's portfolio includes three businesses: Automobiles business, Motorcycles business, Power business. Even though stepping into Automobile industry rather late at 1963, Honda quickly leads the industry with characteristics like superior fuel economy, optimum safety, and driving pleasure. Honda's sales and production in this industry prove successful steadily not just in U. S. but also in many regions worldwide.

Meanwhile, motorcycle business is the first business of Honda, from 1963 with the event of the first overseas plant in Belgium, Honda has devoted in one basic rule: " build products close to the customer". Now Honda has its Research and Development operations in many countries like U. K, U. S, Italy, China, Germany, Thailand and India. In the future they will create a very promising and potential Honda.

### **3. 2. 3 Business Strategy**

R&D is sharpening the business advantage of Honda, together with the fierce competition between Honda and competitors, and they all define the business strategy of Honda. One of the proudest things about Honda is its R&D system. With the systematic way of approaching, focus on durability, reliability and basic performance to establish a creative and innovative technical foundation. With the wisely approach to the future, the Honda products do care about the economical, environmental, and social issues. Honda keeping involving in the research and development that benefit people in the future through leading-edge technology and commitment to innovation that opens up new possibilities in mobility.

With •The Joy of Selling- The dealership of Honda is also one of its strengths. Through creating products and services that provide the core values that make Honda unique, the Honda's associates around the world keep creating such inspiring experience for its customer.

### **3. 2. 4 Operational Strategy**

Honda operates in the worldwide market – with 134 production facilities in 28 countries and at 31 R&D facilities in 15 countries, about 167000 Honda employees and associates serve 23 million customers worldwide annually. Honda's global operations are divided into 6 administrative regions responsible for operating. Hiring and engaging the people and philanthropic initiatives locally in the communities that Honda operates. Honda is pushing the independence of their local management and sales operations, at the same time with integrating and forward-looking plan for each region. They operate under the conduct guidelines that help member companies and <https://assignbuster.com/evaluating-strategic-management-inside-honda-motors/>

associates in evaluating and managing risks, complying with laws and regulations, keeping a high level of transparency in operational level, that's all to maximize the worldwide customer satisfaction.

### **3. 2. 5 The Individual Strategy**

This strategy reflects the Honda's values – “ the three joys”. That is “ The joy of buying, the joy of selling and the joy of producing”. The individual strategy of Honda is reflected through the Honda's philosophy – “The Three Joy”-

The Joy of buying, the joy of selling, and the joy of producing. With the joy of buying, the Honda's associates must try their best to exceed the customers' expectation. Meanwhile, with the joy of selling, which concern not only about the relationship between the dealers and their customers, but they also feel the pride of having a positive relationship with their customers. And the last one, the joy of producing comes from manufacturing, research and development... by producing quality products that satisfy customers worldwide, the Honda's employees can experience pride in exceeding the expectation of their customers. That all bring the strategies of Honda from their enterprise level, through corporation, business, operational level, to individual strategy level, that spread the Honda's strategic spirit throughout the company.

### **3. 3 GLOBAL OPERATION AND MARKET PLACE**

In 2009, Honda able to building their products closes to the customers.

Honda delivered 23 million units to the customer round the six different regions worldwide. Honda always conscious about its operations, that they

do not have any impact on the environment. In concern with all these things, Honda started working on the environmental stability around the world.

## **4. 0 Market Analysis:**

### **4. 1 SWOT Analysis:**

#### **STRENGTHS**

Producing high quality of products

Having the Pioneer engineering in hybrid technology

Build products which are always close to the customer.

#### **WEAKNESSES**

In non luxury vehicles, prices are much higher as comparison to other automobile companies.

Do not have a strong offering in a truck line.

Product are fairly brand and inoffensive in terms of styling.

#### **OPPURTUNITIES**

Company have to work on work on the low emission vehicles and other alternative power sources.

An offering in a truck line business would be profitable, because these kinds of vehicles have the highest profit margin among anyone else.

#### **THREATS**

â-☒ Changes in the government rules and regulation

â- Credit crunch

## **4. 2 Competitive Advantage**

Honda possesses a large number of advantages in the automobile industry that makes it the most running brand in the market among a large number of consumers.

### **Reliability**

Honda's effort towards the building up of its quality has maintained its top position in the market. Its product quality can be easily tested from the fact that a large number of older Honda automobiles are still running excellent on the roads.

### **Fuel efficiency**

Honda is just not only designing and presenting varied models but is most importantly insisting on the fuel efficiency. Honda is the only brand that has launched the concept of Hybrid vehicles to save the consumers pocket while enjoying luxury.

### **Value**

Honda has been known for its offering a complete product to the customers in terms of value for money whether you go for luxury segment or sports.

## **5. 0 External Analysis:**

### **5. 1 PESTEL Analysis**

#### **Political/ Legal environment:**

The various government rules and regulation imposed over automobile and power product industries regarding level of pollution, noise pollution, fuel

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consumption, vehicle emission level norms and nitrogenous substances. This changes from time to time and is made stricter to follow.

### **Economic environment:**

Honda's operations are diversified throughout the globe like Japan, Asia, Europe, North America etc. A bad impact over a country's economic situation resulting because of various factors like credit crunch, slowing down of economy, market hits due to recession and rising fuel prices could lead to decrease in a demand of Honda's product.

### **Technological Environment**

Utilizing the most advanced information technologies, Honda has developed and innovated itself continuously. The changes in IT lead to almost Honda's operation were controlled more effectively.

On the production process: by using the innovation means of production and mode of production, like the auto fit machine, Honda can mass produce to reduce the cost, save the time and increase the capacity.

### **Natural environment:**

The more industry develops, the more the environment is negatively affected. Among the environmental problems, Global Warming and Pollution Level are the problems that take the most concern of the community. Many Non-Government Organizations have requested industrial firms to reduce CO<sub>2</sub> emission and toxic wastes. So, as to tackle these kinds of problems, Honda is making a continuous effort towards various research and development of new technology and products.

## **6. 0 Industry Analysis:**

### **6. 1 Porters Five Forces:**

The stated five environments above, Porter's Five Forces is to analyze the business and industries of a company. It encourages the managers and marketers not only to look outside the current competitors but also with their prospective competitors. Moreover, it helps the company to understand what its customers want and control its supplier more effectively. Now we utilize the Porter's Five Forces to analyze Honda Company.

#### **The threat of substitute products**

That is defined as the existence of close substitute products increases the propensity of customers to switch to alternatives in response to price increases (source from Wikipedia. org). This does mean that when a Honda's competitor can produce with high performance and economical price rather than Honda's. This product will replace Honda's product in the market. Hence, simultaneously reducing the market share and profit of Honda are the results. For example, the product line of sport motorbike, R6 of Yamaha is the close substitutes of Honda's F4. If Yamaha can achieve a modernism to produce R6 with the lower price against F4, it can in fact replace Honda's F4 on the market because customers have the same prospect with both the two products.

#### **The threat of entry of new competitors**

The hypothetical meaning is that in marketing with many existing competitors, the profit of each company will be lower than the maximum level. For example, in American Market the Ford and Honda is

uncompromisingly fight together in this market to get the proper attention of the customer. Honda cannot get the upper limit profit in this market because of the policies of American Government protective domestically Company. Moreover, Honda has to spend money on accessing to distribution in American market. Moreover, it also finds difficulties in adopting the culture differences, etc. Those reasons will reduce the Honda's profit level.

### **Rivalry among existing competitors:**

The above five characteristics is significant to the automobiles industry to analysis the competitive rivalry. The 3 main rivals that Honda has to compete violently are Toyota Motor Corp. (TM), Ford Motor Co. (FM), and General Motor (GM). However the changes in the approach of one of those competitors will be influences on the performance of Honda. Honda as well as its three rivals always keeps on innovating, improving, researching and developing to compete effectively in this auto industry. For example, whenever one of these four company releases a new model, the others will catch up and have similar products to compete. Like when Honda just comes with a new technology that is “ FCX CLARITY”, the fuel cell vehicle in the next generation, GM Motors come with a Chevy Equinox SUV and put their fuel cell platform into it.

A well-known model of Honda, Accord, has been challenging with its chief rival, Toyota Camry since its first appearance. Since Accord was released in the market in 1976, and until 1983, Toyota has launched its sedan i. e.

Camry. Since then, these two models have kept on competing with each other. GM Malibu and Ford Fusion are also two models that GM and Ford use

to compete with Accord and Camry. For, Toyota, and GM all can replace  
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Honda in this auto industry. So, what Honda has to do is trying to improve its technology, research and development to create a competitive advantage, maybe as a Greenest automake

### **The bargaining power of customers**

In business, if a company wants to exist it must create a good relationship with customers. Honda is a global company, it means Honda have a lot of competitors. So customers will confuse when they make decision for what Brand will be the best choice. It depend not only the famous company but also the price and quality. For example, Honda introduced Air Blade Scooter with functions like sport and fashion model, more fuel-efficient engine technology. It rapidly attracted the youth; the supply was not enough for demand. Then it made the shortage of Air Blade in the market and pushed price higher. Customer want to buy it must order and wait around one to two months. No longer after, Suzuki has utilized maximize the advantage of its competitors to its product. Suzuki introduced new model - Hayate Scooter - that have the same functions of Air Blade but set the amazing price (lower than 23%) and customer can take their product immediately. As a result, many customers change of their mind, therefore the market share of Honda to shrink.

### **The bargaining power of suppliers**

One of the factor helps the company competes against with other companies is the ability to reduce the cost. Therefore, suppliers plays an important role to make the company's success. Suppliers may refuse to work with the firm or increasing prices for unique resources. Realizing the serious element,

Honda purchases raw material, components and parts, from numerous  
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external suppliers. Moreover, Honda relies on some main suppliers for the items and raw material that use in the manufacture of it products.

There are some key suppliers of Honda in term of Metal Stamping Part : Takao Kinzoku Kogyo Co., Ltd; Hirata Technical Co., Ltd; Hongo Co., Ltd; Kikuchi Co., Ltd; Marujun Co., Ltd,...Among these companies, Kikuchi Co., Ltd deal with not only the supplier of Honda but also Nissan's supplier. If Nissan was willing to purchase with higher price or had some benefit promotion than Honda, Honda might be affected on the capacity and increase the cost.

## **7. 0 Financial Analysis**

As compare to fiscal year 2007 there was an increase of 8. 3% in the net sales at the end of fiscal year 2008. This increase is fuelled by the higher sales of automobiles business. This was also due to the increase in the power product sales in Asia and from the effect of the foreign currency changes.

## **8. 0 Conclusion and Recommendations**

The objectives of the company have been met, and then the strategies of the company that are followed are correlated with business environment and industry.