Honda bcg report analysis

Introduction:

Honda established an American subsidiary in 1959. The strategy of Honda was explained in an annual report in 1963. The policy of the company was selling, not just for the motorcyclists but rather to the general public. The American Honda motor company had made a strategy to start making motorcycles available to the general public. The idea was to first introduce the smaller lightweight motorcycles to the US.

By advertising to the younger families, Honda made a theme of ' Meet the Nicest People on a Honda', they manages to be successful in creating a demand for the lightweight motorcycle and they increased the sales from 1960-1965 by $76 500 000. The BCG report showed that success of the Japanese manufacturers started with the growth of their own domestic markets. The high production for domestic demand led to Honda experiencing economies of scale as the cost of producing motorbikes declined with the level of output. This provided Honda to achieve a highly competitive cost position and it clearly helped them establish their lead.

Case 1 (b)

In this case study Richard Pascale tends to disagree with the BCG report. He feels that not everything was as smooth as what the BCG report states. In the case of Honda they actually entered the market at the wrong time. Honda also had lack of funding from the ministry of finance.

With case study b) Pascale feels that the first case is not as accurate and reveals thta through incidental events actually led to the success of Honda gaining a strong hold of the US untapped market. When looking at the BCG report it states that Honda pushed the lightweight motorcycles when in fact Pascale argues that isn’t true. In fact Honda wanted to promote the larger motorcycles but this failed due to mechanical faults which almost destroyed the image of Honda.

Compare and contrast these two accounts of Honda’s entry into the US?

Introduction:

Case A is the Boston Consulting Report that investigates the decline of the British motorcycle industry. The BCG report informs us about the success of the Honda’s light motorcycle and the impact that it made in the industry. It states how the company succeed it by doing deliberate strategising as well. In Case B an Insider of the Honda team, Richard Pascale, informs us about the actual difficulties that Honda faced in the motorcycle industry and states that it wasn’t as smooth as the BCG makes it sound. Therefore by campaigning the two cases we will identify the similarities and differences.

The key similarities of the two accounts:

In case’s A and B they both show and interest to the US Market and they both want to achieve in making as must sales as they can and to provide the general members of the public with motorcycles. Case A and B wanted to attract the general public and get people who would never consider getting a motorcycle to start considering. The idea of breaking away from the typical stereotype of bikers was Hondas main concern and to insure this both of the cases had the campaign for Honda which was: “ You meet the nicest people on Honda”

Case A and B both show success results with the smaller motorcycles been offered in the US and the increase demand in Japan. The fact that in Case B when they stumble across the fact that they would make better profits with the smaller 50cc, after realising that both the cases were on the run by being in the lead competitively. Honda entered the US market right at the end of the motorcycle trade season which indicates that both the cases didn’t really consider what they could ultimately cause, but by taking that risk they found and untapped a market.

In both cases’ it shows that Honda was more superior to their competitors by producing more and much better prices. The strengths of the two accounts was the roles which the founders played. Pascale’s main concern wasn’t about profitability or the company and its products, but rather to show his innovative ability by producing better engines. Fujisawa on the other hand was more concerned with the financial section of the company and how to market the ideas of the motorcycles to the general public. With the two of them it was clear that in both cases they were able to pull resources together and function as a team.

Honda Management team also had similar aspects in the way that they worked together to ensure that the company succeeds in the USA, despite the management differences as in case B it clear that the Honda team wanted to ensure that the choices made for the company would only help them. In Case A the management team ensured that the lightweight motorcycle was pushed in the US and they ensured that the image of the company would not be associated with the Bad Boy image of motorcyclist but rather a family experience with the smaller version.

The key differences that these two accounts have are as follows;

The case’s show that in case A they did environmental analysis and that is why they achied the success whereas in case B it shoes that they didn’t really do an environmental analysis into the market because if they did they would have discovered that there wasn’t a demand for the larger motorcycles and in case B if they had done more research they would have prevented the problem of almost damaging the image of the company.

Case A shows that there was an entry strategy which was to ensure selling and promoting the motorcycles not only to the motorcyclists but to the general public. Whereas in Case B they didn’t exactly have the strategy planned but they did have the idea of selling something in the United States which isn’t really having a defined strategy to have for a company and therefore could have been another reason why they didn’t succeed as easily as they didn’t know what they wanted to achieve.

In case A it seems as if the Honda company didn’t come across any problems and that everything went according to how they planned. In case B it shows that not everything went to as planned and not everything went that smoothly. For example the funding was only limited and they had to keep some of the money in the inventory. Another example is that in case B they didn’t initially prompt the smaller motorcycle and through incidental event they discovered the untapped market wanting smaller lightweight motorcycles instead of the originally planned larger ones.

The Boston Consulting groups (BCG) report clearly shows a deliberate approach to Hondas strategy in penetrating the US motor cycle market whereas in the case B shows that the approach was more of an emergent approach. Case A had a Research and Development effort and a policy of developing the US market region by region. In Case B it doesn’t really state much research and development concepts they had the idea of selling the larger motorcycles which at the end of the day didn’t work out for them but if they had done the proper research they could have prevented wasting of time and efforts. http://www. oppapers. com/essays/Key-Differences-Between-These-Two-Accounts/185956

To what extent was Honda’s apparent strategy deliberate and/or emergent?

Introduction:

A deliberate strategy is more of a desired strategy that is deliberately formulated or planned by the managers. It’s associated with the use of tools, techniques and frameworks for strategic analysis and evaluation. (G. Johnson, K. Scholes, R. Whittington, 8th Edition Exploring Corporate Strategy, page 401) Deliberate strategy involves a 6 step process namely: 1 Environmental Analysis, 2 Goal Setting, 3 Strategy Formulation, 4 Strategy Implementation, 5 Evaluation/Control, 6 Feedback.

An Emergent strategy on the other hand comes about through everyday routines, activities and processes in organisations leading to decisions that become a long-term direction of an organisation. (G. Johnson, K. Scholes, R. Whittington, 8th Edition Exploring Corporate Strategy, page 408)

An emergent strategy is a pattern of action that develops over time in an organization in the absence of a specific mission and goals, or despite a mission and goals. http://planningskills. com/glossary/154. php

Honda's strategy in Case A came about as been a deliberate Strategy whereas in Case B the strategy seemed more emergent.

BCG saw Honda, as a corporation, who did deliberate planning by looking at the market and doing an environmental analysis, setting goals, formulated a strategy to cope with the environment and competition pressures from Harley Davison, Triumph etc. and implemented the strategy.

The first strategy-making process is conscious and analytical, involving assessments of market structure, competitive strengths and weaknesses, the nature of customer needs, and the drivers of market growth. Strategy in this process typically is formulated in a project with a discrete beginning and end. Top-tier management consultants often manage these projects. The result of this process is an intended or deliberate strategy. 1 Intended strategies can be implemented as they have been envisioned if three conditions are met.

First, those in the organization must understand each important detail in management's intended strategy. Second, if the organization is to take collective action, the strategy needs to make as much sense to each of the members in the organization as they view the world from their own context, as it does to top management. Finally, the collective intentions must be realized with little unanticipated influence from outside political, technological or market forces.

Since it is difficult to find a situation where all three of these conditions apply, it is rare that an intended strategy can be implemented without significant alteration. 2

The second case is the emergent strategy. Emergent strategy itself implies learning what works-taking one action at a time in a search for that viable pattern or consistency.

With case B this is exactly what happened; At First they put all their efforts into the larger motorcycles but when disaster struck with the larger motorbikes leaking oil and having clutch problems Honda’s reputation was almost destroyed therefore Honda had no choice but to push the 50cc bike and to their surprise the retailers wanting to sell their bikes were not motorcycle dealers. Therefore making quick decisions from the bad situation they were in show they used an emergent strategy without using proper planning process.

Case A is different according to Mr Pascale who stated the following “ We still hesitated to push the 50cc bikes out of fear they might harm our image in a heavily macho market” this shows that Hondas intention was not to sell the smaller 50cc bikes but rather to go with the rest of the industry by selling the bigger bikes such as the 250cc and 350cc. This again shows that CaseB was more of an emergent strategy.

The report documented by Richard Pascale “ an insider’s account of Honda’s entry into the US market” shows a clearly defined emergent strategy

The report identified two main factors that led to the UK motorcycle industry dissolving in the US.

1. Market share loss.

2. Poor Manufacturing, technological and distribution techniques.

3. Poor planning and little research

But when looking at the BCG report it states that Hondas success in the US market was because they had deliberate strategy that consisted of a planning process. First in the BCG report it shows signs of environmental analysis with the competitors such as Harley Davison, BSA, Triumph and Norton.

The fact that they also show they looked into the market. It also shows that Honda had set goals for the company which was to sell their smaller motorcycles and be productively competitive.

The next step in the process is strategy formulation and Honda came up with the idea of creating a good image for their company and to ensure that this image sets them apart from just any motorcyclist.

The next stage is strategy implementation and Honda took the previous idea and started a campaign of “ You meet the nicest people on a Honda”. This would set the image apart from the stereotyped image of a motorcyclist.

The BCG report also states that Honda entered the US and identified small bikes as their target market therefore this shows they did do evaluation and control. Honda followed up by providing feedback on the market to insure they remained competitive.

What key Lessons may be learned from any comparison of these two quite different accounts of the same strategic decision?

Introduction:

Honda went through some really challenging events that put their operations on hold at one point in time, but by learning through their mistakes and taking opportunities when they saw it they managed to overcome some problems and be successful with a product they didn't think would be and considered it risky to promote. The 50 cc was a smaller motorcycle and little did the company know that that motorcycle would be the answer to finding an untapped market through having problems with their larger motorcycles.

In case A it shows that Honda did some strategic planning with cost advantages and easy operations in Japan, this can be seen in the statement explaining the competitive positions that Honda had and when they emphasized on the profits been made. By doing the necessary research and analysing the markets Honda was able to be successful and that lesson learned will ensure that they keep up the good work of research and development to remain competitive.

Apart from Honda's success in Case A due to their environmental analysis and pre-thinking they could have in fact done a bit more research into the market that they entered. The fact that they were advised not to enter the US market due to relatively due to small bargaining power of the new entrants, and the fact that some stores were closed on weekends was also a sign of barriers that Honda could face. Another lesson that Honda had to learn was how to break away from the typical biker image. Honda at the end of the day did have a closer look at the competition n case A at that is how they found a untapped market that wanted smaller motorcycles.

Surprise and Learning exposing oneself to the chance of being surprised incremental adaptation and learning, in the case of Richard Pascale he highlighted the fact that in case A not everything was entirely true. He states that Honda had made miscalculations when it came to which motorcycle they would be marketing i. e. they were putting more emphasis on the larger motorcycles, therefore in Case B no clear strategic planning was implemented and they didn’t even have a particular strategy. ‘ In truth we had no strategy other than the idea of seeing if we could sell in the United States ‘ http://www. anderson. ucla. edu/faculty/dick. rumelt/Docs/Papers/HONDA. pdf

Pascale sees the 50cc success of Honda as a no other option that had to be implemented to the problems that had occurred to the larger motorcycles. The lesson learned here was that Honda fund out that the larger motorcycle demand was unsatisfactory. But with the help of the promotion of the campaign “ You meet the nicest people on a Honda” this helped with them to have a sense of direction on how they wanted to be perceived, which made it a successful story. By being smart in detecting the untapped market and reacting fast to it also helped Honda to ensure success. If Honda was not aware of the fact that the larger motorcycles were not doing so great who knows where they would be now.

Conclusion:

In conclusion case A seemed more organised and seemed more in control of their marketing activities and reaching out to their market. It clearly showed that there was Research and development done in order to be competitively strong. Operations in Case A seemed more smooth than in Case B that had many problems to encounter.

Case B in fact at the end highlights an important factor which is learning and taking opportunities from threats. Pascales disagreement to the BCG was that the BCG report made it seem that Honda’s experience was smooth. If Honda had done proper planning and research and taken the risk on the 50cc they would have had a smoother experience.

Harvard Referencing:

(G. Johnson, K. Scholes, R. Whittington, 8th Edition Exploring Corporate Strategy, page 401)

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