

Honda strategic management essay



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Strategic management is the highest level of managerial activity, in general performed by the chief executive officer (CEO) and executive team of a company, used to specify objectives of the organization by developing policies and plans to achieve these objectives and reach the company's goals. Also it's a process of distributing resources of the company so as to pursue the plans.

Strategic management supply overall direction to the entire enterprise. An organization's strategy should be suitable for its resources, situations, and objectives. The process takes in consideration to join the companies' strategic advantages to the business environment the organization faces. The important objective of an overall strategy is to make the organization into a position to do its mission effectively and efficiently. A best corporate strategy must include an organization's goals, policies, and tactics into a cohesive whole.

Strategic management can be considered as combination of strategy formulation and strategy implementation.

1) Strategy formulation: first Doing a situation analysis, both internal and external and both micro-environmental and macro-environmental. Secondly, alongside with this assessment, targets are set. This includes crafting vision statements (long term), mission statements (medium term), overall corporate objectives (both financial and strategic), strategic business unit objectives (both financial and strategic), and tactical objectives. Finally, these objectives have to, in the light of the situation analysis, propose a strategic plan. The plan gives details about how to reach these goals.

This three-point strategy formation process determines where you are now, where you want to go, and then how to get there. These three questions are the basics of strategic planning.

2) Strategy implementation is affectation of adequate resources (financial, personnel, time, and computer system support), developing a chain of command or some alternative structure (such as cross functional teams), and posting responsibility of specific tasks or processes to specific individuals or groups. It also involves managing the process. This includes observation results, comparing to benchmarks and best practices, evaluating the efficacy and efficiency of the process, inspection for variances, and changing to another process if necessary. When execution specific programs, this involves having appropriate resources, developing the process, training, testing the process, documentation, and integration with (and/or conversion from) legacy processes.

(wordiq. com, 2010)

II. Company's Background:

Honda Motors Company, Ltd.(world Honda. com, 2010) Is public company founded by Soichiro Honda Takio Fujisawa on 24 September 1948, the company employ 181, 876 person in the world and the headquarters is in Tokyo-Japan, Acura and Honda Aircraft Company are subsidiaries of Honda motor . in 2009 the revenue of the company reached 120. 27 billion dollars US.

Honda Company is a producer of automobiles (such as CIVIC), trucks (Ridgeline), motorcycles (CBR), ATVs (All Terrain Vehicle) and scooters (SW-T600) also private jet (FAA). It is also a producer of electrical generators too, marine engines and kits for gardener and DIY (do it yourself). In 2008, Honda has sold more than seventeen million four-stroke engines, which made it the largest producer in the world.

Leadership

Since the creation of Honda Company on 1948 seven leaders had take control of the organization:

Soichiro Honda (1948-1973)

Kiyoshi Kawashima (1973-1983)

Tadashi Kume (1983-1990)

Nobuhiko Kawamoto (1990-1998)

Hiroyuki Yoshino (1998-2004)

Takeo Fukui (2004-2009)

Takanobu Ito (Since 2009)

(World Honda, 2010)

III. Question1

a)

As defined on (quickmba. com, 2010) any industry is influenced by five forces, the five forces model of Michael porter is an outside-in business unit strategy implement called also as competitive forces analysis and this analysis is based on 5 major competitive forces: RIVALERY, SUPPLIER POWER, BUYER POWER, BARRIERS TO ENTRY/THREAT OF ENTRY, THREAT OF SUBSTITUTES.

Michael porter defines according to quickmba. com the whole of interrelated generic activities as the Primary Value Chain Activities which is represented as below:

Inbound

Logistics

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Operations

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Outbound

Logistics

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Marketing

&Sales

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Service

The objective of these activities is generating a profit margin by creating value more important than cost for the product or the service,

These primary activities may be essential for developing competitive advantages

Porter distinguishes four other types of support activities which will facilitate the primary value chain activity: Procurement, Technology Development, Human Resource Management, And Firm Infrastructure. (quickmba. com, 2010)

Honda managers knew how to control the forces that influence the company by reconciling dichotomies , for the rivalry in the world car market Honda used principle right-first-time or build in quality strategy to have better production with good quality , cost less and less time for delivery. Also Honda based her car on newest technology developing process on her product strategy by inventing the cvcc engine which were more efficient and less fuel consumption than competitor engine. For the supplier power Honda start making here factory in USA which there is strong steel and petrol industry that can supply Honda manufacturers. then Honda reconcile the dichotomy of vertical integration and market relationship which make Honda develop strategy of building a long term relationship with suppliers and also with substitutes without owning them but helping them if they need it, so they become loyal to Honda . for buyer power Honda made strategy of selling her cars in Europe and USA were the purchasing power is higher and were there is a large car market. Honda build his factory on Belgium and USA were there is less barriers to entry and also make collaboration British Leyland to introduce the British market.

For the primary value chain Honda make strategies to facilitate these activities and create relationship between these activities by following the kawamoto strategy of reconciling dichotomy of individual/collective then vertical structure/horizontal structure and switch between these two dichotomies. Also praising individual employees and encouraging team work too. Honda made strategies for production and logistic like creating the free-flow assembly line process and made the production planning more flexible and facilitate the product marketing by the push-pull system.

(Andrew Mair, reconciling managerial dichotomies at Honda motors, 1997)

b) in fact, according to (scribd. com, 2010) there is so many definitions of Positioning, but generally is: identifying a place on the market for a brand name of the company, product or service using marketing placement strategies based on the price, the quality, the promotion, the distribution, the packaging, and finally the competition.

Also positioning is determinate as the process used by marketers to create image and match it with the brand in the customers thought and the company is able to influence positively the customers' perceptions by using strategic actions. Positioning is facilitated by a graphical technique called perceptual mapping. (scribd. com, 2010)

as defined on (chaosmanagement. com, 2010)If a company want to change and be more competitive it start developing internal resources, building a strong organization by training and coaching human resources also to be not dependant of external resources (external trainers and consultant) the company start training internal resources (the employees and staff)so they

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can be more practical , more expertise and have more experience to share within the other stuff also to be in charge of the organization change efforts . also to develop the internal capacity of the company change resources.

This measure will make the company performance and progress result sustainable. Preparing and supporting employees to be innovative and to keep positive result against other competitor in the market. The main reason for developing internal resources is to reduce product costs and dependence on external resources.

(chaosmanagement. com, 2010)

Honda managers knew how to reconcile dichotomies to have better position in the market, western managers chooses always between cost, quality and delivery but Japanese managers learn how to mix those criteria and manage dichotomies by developing right-first-time idea originating from just-in-time production system. They start emphasizing how to build in quality the product not to test in quality the product at the end.

Another dichotomy reconciled by Honda is time and design, in the west an automobile took six year of developing process before being manufactured. However, in Honda it took only two years because Sales, Engineering and Development (SED) teams work on the project in the same time in contrast of the generally sequential development process used by western company. This maneuver also reconcile the dichotomy of complete model change and the facelift , the western car designer made complete model changes every eight to ten years, and every two to four years the designer give facelifts to theirs models. But in Honda it took only four years but the result is that the

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car is not completely changed but it also more face lifted, changing only component which can be noticed by the customer .

To produce faster Honda find a strategy which involve the two traditional dichotomous poles, the first is large-lot mass production means factory can only produce in line thousands of same cars which is typical to the western car factory and one-piece-flow means that factory can made different car model but in few quantity.

Honda knew how to reconcile dichotomy of vertical integration and market relationship, Honda has long-term relationship with it suppliers they become Honda subsidiaries but they are not owned by Honda, however Honda can help one of them in difficulties also Honda can control there product and see if it fix the Honda product criteria that make Honda have lot of suppliers which are faithful to Honda.

Honda joins the two poles of dichotomy push system (long term planning) which is pushing the product on the market and waiting the customers to buy it and pull system (short term planning) is producing according to the customers demand on one system push-pull system that make the company more flexible facing problem production.

Reconciling dichotomies of both the mental process of technology research and the philosophy of the actual car designs in technological development process gives the innovation of CVCC engine which give Honda a competitive advantages against other car companies.

As well, in developing internal resources Honda reconcile dichotomies to have a best organization of tasks and involve the employees on the way of running the business; kawamoto knew how to shift between the two dichotomies vertical structure, the individual and horizontal structure, the collective, encouraging collective work like for the SED teams and individual work like for managers , also to avoid big business disease and loose the horizontal linkages and communication which are necessary to innovate and be dynamic.

Honda also innovate the free flow which is assembly line that combine productive/efficiency with employee dignity . efficiency and dignity were two opposite polar of the dichotomy and Honda reconcile it by the free flow assembly line which give the worker more control of the production process and more freedom to make decision.

(Andrew Mair, reconciling managerial dichotomies at Honda motors, 1997)

c) taking in consideration what is mentioned on (university of sunderland, 2004). Every automobile industry want to control global market, means to have part of market in any country, so the automobile company become global as increasing worldwide integration.

Here global mean that the world is one complex linked system. Global market can exist if the local market of any country can be influenced by foreigner market. This means that the local market is influenced by development (technology for example) in other nations. in this case global define the ultimate level of worldwide integration, so this kind of globalization is the process of increasing international interconnectedness

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and it make pressure on the automobile company to pursue a global synergy. The enterprise operating in many countries is always looking for a process to organize it self to solve the problem of how to manage multiple firms unit . so as solution the company organize all operation in each country but let every country unit autonomous as possible.

To have cross-border synergies the company uses the 3 essentials integration mechanism by including it on her international management first the automobile company do the same thing in each country with no adaptation to the local market, same product , same way of running the business, same resources employed in the production this procedure is standardization. Secondly, the coordination is to create relation between the country unit to serve the client in the same way I every country also to respond or attack Competitors Company to grab part of market for the company. Finally, centralization is when the company regroup some of her activity in one specific location (company home country, or somewhere else), so as the company take advantages from this particular country such as the car seats will coast lower than produce it in other country or the quality will be better or to take advantages from taxes facilities.

However the automobile company can not maintain a sustainable synergy across -border because of the local responsiveness make pressure on the company too . the company can not negligee the specific demands of each local market and country, every market has particular characteristics, each country is different from another, this difference between countries press a lot on the organization of the company. The most common differences are: market structure like in Morocco there is few company only who share the <https://assignbuster.com/honda-strategic-management-essay/>

car market but in USA there is lot of competitor; customers need as Moroccan customer I want a simple car which can resist to the Moroccan infrastructure however a German customer want sophisticated cars; buying behavior American people like powerful cars but European people are more concerned by nature so they want cars more ecologic, media structure the way of advertising differentiate from a country to another taking in consideration the culture the religion.., government regulation generally different between countries (taxation rules, labor laws).

(P. 535-p. 547, chapter10 the international context, textbook)

Those two pressures make the global automobile industry being always in change and that make the automobile industry always weak facing economic crises and automobile companies are struggling to be stable on the world market.

IV. Question2

a) according to(university of sunderland, 2004) The Whittington's classical school of thought is the most used strategy by companies which there goal is profit maximization and deliberate process to avoid uncertainty based on clear planning production and to know the position of the company on the market now and in the future by asking those tree classical perspective questions: which position the company have now, which rank we want the company to be on it and how the company will get there.

The other Whittington's school of thought is processual which is a strategy based on pluralistic outcomes and emergent planning which make the

company more flexible and easy to change his strategy production and able to learn and introduce a new planning as fast as possible. This processual school of thought is useful for company who had short term planning production.

Honda motors combine the two schools of thought by reconciling dichotomies on its strategic development.

(Unit 3&6 strategic management, exercise book, p. 57 and p. 149)

b) Honda motors used the two schools of thought by creating strategies and product planning which combine with the processual and classical perspective such as the strategy of production build in quality and right-first-time production system to which will decrease the cost and learning the principal of right-first-time developed by Japanese companies.

Honda motor's motivated designer to innovate cvcc new efficient engine based on learning weaknesses of the competitor engine. Also, Honda motors developed production planning which regroup large-lot mass production system and one-piece-flow production system so to maximize profit but also to be pluralistic by varying production model so varying the sales.

Finally, Honda motors facilitate the planning production and product marketing by creating the push-pull system: push system based on long term product planning activity of one models, pull system based on short term product planning activity of many models at once. (Andrew Mair, reconciling managerial dichotomies at Honda motors. 1997)

In my opinion I prefer the classical school of thought because the company will be more organized to face problems. Also, to not be lost on manufacturing many products and focusing and developing only product which I will benefit by selling it to maximize profit and giving better position to my brand name company among my competitors on the market.

V. Question 3

According to the cultural dimensions of systemic school of thought (University of Sunderland, 2004) and Hofstede (1993), the manager thought is based on five cultural behaviors: power distance, individualism, masculinity, uncertainty avoidance and long-term vs. short-term orientation.

(Unit 7, Cultural Dimensions of Management, Work Book, p. 197-198)

Honda Motor's is not a Japanese firm. First, 2/3 of Honda Motor's production is made in factories outside Japan in Europe and USA, also Honda Motor's let younger employees to cross seniority level which is the opposite of Japan culture based on status and seniority and respect of elders, then Honda introduced some western culture behavior on the organization without losing some aspect of Japanese culture like work team and collective decision making. That made Honda Motors flexible on the global market and more understood by foreigner's employees in Honda organization.

(Andrew Mair, Reconciling Managerial Dichotomies at Honda Motors, 1997)

VI. Conclusion

(Honda worldwide, 2010) During the last 10 years Honda motors still following the same strategy as always, becoming the second Japanese car company on the Japan car market behind Toyota, doing well against the economic crises and quickly solve the problem of brakes caused by Ohio substitute which supply Honda with defected breaks, in 2000 Honda won the EPA award by producing hybrid car Honda insight and Honda power product reach 40 million production level, in 2001 Honda start producing engine in china and india, in2002 Honda had a new record by increasing production and sales, in2003 Honda auto production reached 10 million in USA and total civic sold in the world since launching it on the market reach 15 million units, in2004 Honda diesel engine beat a new record of efficiency and consumption, in2005 Honda establish R&D center in Thailand and start developing a new robot ASIMO, in2006 Honda soltec is new subsidiary for solar cell market, in2007 Honda won the safety award for developing vehicle safety, in 2008 Honda leave Formula 1 due to the world economic crises and sold the Honda F1 team to BRAWN GP for 1 symbolic pound , also in 2009 fired 3100 employees in Japan and reduce the production so to not rise the stock of production. In February 2010 Honda was the fifth car production sold in USA increasing sales by 12. 7%.

We can see that Honda in 2008 and 2009 Honda had problems due to the economic crises which affected the entire automobile industry in these two years.

(Honda world wide, 2010)

The only and exclusive retailer (importer and distributor) of Honda brand in Morocco is Universe Motors. Founded in 1973, Motors universe is retailer of various Honda products such as Automotive with its wide range of city cars, compact sedans, 4X4. Motorcycles, ATVs. Also Honda's company Products of equipment . The Honda brand is represented in ten important cities of morocco's kingdom: Casablanca, Rabat, Fez, Meknes, Marrakech, Agadir, Tetouan, Tangiers, Oujda and El Jadida. For the Moroccan customer Honda is luxury expensive car and not strong for the Moroccan infrastructure, so Honda motors have small part in the Moroccan car market.

(Honda Maroc, 2010)