Introduction: Underestimating the Japanese

In 1962, the Honda Motor Co., a Japanese motorcycle manufacturer founded fourteen years previously, made its first automobile. Entering the four-wheeler business had been a hurried affair, rushed along because it looked as if the Japanese Ministry of Trade and Industry (MITI) would try to prevent new firms from joining Japan’s small automobile industry. MITI’s fear was that the sector’s international competitiveness would be undermined by a plethora of small producers unable to reap economies of scale. Between 1958 and 1962 Honda had moved fast, and its engineers came up with a small truck and a small sports car so that Honda could claim already to have joined the ranks of the automobile producers.

Thirty years later Honda has become one of Japan’s leading automobile manufacturers, and its products are respected and feared the world over by competitors who have much longer pedigrees in the business. Far from hurting Japan’s competitiveness, Honda is leading the world in creating a new kind of multinational enterprise. The global local corporation heralds an industrial revolution in global-scale manufacturing with profound economic, political, technological and social consequences for the countries where it operates. Honda’s success has become a model for manufacturers everywhere.

This book is about Honda’s coming of age as a multinational enterprise. It tells the story of a new kind of global organization and what it means for the world’s economy, political structures and citizens. The competition has been watching and studying Honda for several years to see what they can learn. Companies in difficulty, like Chrysler, have made detailed analyses of Honda, on which to model their own restructuring. Toyota, widely seen as the world’s most successful automobile company in recent decades, built a close copy of Honda’s American operations when it set up its own manufacturing plants there. The equally successful BMW has lured away top Honda managers in North America to teach it how to set up its own new ‘transplant’. Honda’s European partner Rover has had over a decade...
to study Honda and internalise the lessons. But this is the first published in-depth analysis of how the pioneer and most innovative among Japan’s multinational automobile producers has carved out its distinctive niche globally.¹

In many ways this is all rather unexpected. Just a decade ago, many thought that Japan’s major manufacturers would never dare to operate outside Japan because they would not be able to repeat their home-base successes. When some Japanese companies did invest abroad, their overseas activities soon became subject to a great deal of interest and speculation. Could Japanese manufacturers really function abroad as well as in Japan? What strategies would they follow? Would this mean the spread of ‘Japanization’? What would that mean for Western societies?

In Honda’s case we are going to see how a Japanese firm can indeed succeed abroad as well as it does in Japan, and what the strategies it has adopted to ensure this happens mean for the people and for the social institutions of North America and Europe. There are some surprises in store.

In taking an in-depth look at Honda’s multinational operations we will be forced to overturn many commonly shared assumptions about the Japanese firm. This is no bad thing, because there is much that remains ambiguous and confusing. By studying Honda for five years, I have discovered that our ingrained ways of thinking, so natural to us in the West, have led us to make lots of mistakes. It is well past the time to get to grips with the Japanese firm, and especially its overseas operations.

We have often underestimated the capacity of the Japanese firm to innovate and transform itself, and neglected to learn both how to react and how we might learn from it to transform ourselves. This is true whether we are rival businesses, labour union leaders, employees, managers, or local and national governments. We can use this opportunity of a close look at Honda’s global operations to discover how to really make sense of the Japanese multinational enterprise, and Japanese economic success in general, and to dispense with many of the enigmas and myths that have left so many so confused and perplexed.

This is primarily a management book. I hope that it will be read by managers of other firms in the competitive world of manufacturing who want to understand leading edge multinational corporate practice. But this is a management book with a difference; several differences in