Thinking About the Japanese Firm

In the previous chapter we suggested that there is a difference between the philosophical approach we tend to use in the West and how firms like Honda think and act. In this chapter we’re going to pursue this difference further, to sharpen up our ideas before we proceed. The discussion is divided into three parts.

In the first part we look at that basic Western philosophical approach, ‘dualism’. Dualism means thinking about things in terms of pairs of ideas that we think are opposites. Examples in business and management are individual and group, cost and quality, labour intensity and capital intensity, thinking work and doing work, efficient work and humane work, vertical organization and horizontal organization. In the West we tend to think you have to choose one or the other in each pair, or that if you gain on one side you must lose on the other side, so you have to trade off the opposites against one another. For instance, we might think that efficient work is inhumane, and that humane work tends to be inefficient: work cannot be both. Or that an organization is either vertical and pyramidal or horizontal and flat, but not both.

Western organizations, business firms especially, tend to be set up along dualist lines, choosing to be efficient, low-cost, vertical, labour-intensive, for instance, or humane, high-quality, capital-intensive (or any combination of one side from each pair). But Honda does not think like this. It does recognize the pairs of opposites, but it refuses to choose between them or lose one as it gains the other.

Honda’s corporate strategy, its ideology, is based upon systematically seeking to retain both sides of each pair: work that is humane and efficient, both capital- and labour-intensive, organization that is both vertical and horizontal, and so on. In retaining both elements, the goal is make the elusive ‘best of both worlds’ a reality. Rather than a problem of trade-offs, recognition of dualisms implies finding solutions. It is often said that the Japanese are mysteriously able to turn adversity into advantage. Here we’ll see how they do it.

The second topic of this chapter is the multinational manufacturing enterprise and how it is organized; or has been up to now. The global
The Japanese Firm Goes Global

The local corporation that Honda is pioneering is organized quite differently from the conventional multinational enterprise. In fact a new theory of multinational manufacturing is needed that can accommodate the new model, and in this book we'll help to develop that theory.

The third topic is this: why did so many people believe that Japanese firms would never be able to implement their special management techniques outside Japan? All sorts of features of Western society were expected to sabotage Japanese methods: national cultures, manufacturing practices, labour unions, management values. A decade ago, Europeans, Americans and Japanese alike were agreed on how difficult it would be for Japanese manufacturers to operate in the West. But Honda was not.

There are two issues wrapped up in this last topic. First, how would operating in the West interfere with Japanese management techniques? The normal question to ask is whether the techniques could be transferred intact or would have to be hybridized and watered down. Second, how does introducing Japanese management techniques affect Western society? Will some kind of ‘Japanization’ of business life inevitably follow?

IMPROVING OUR PHILOSOPHICAL APPROACH

How does Honda get the best of both worlds when we tend to think it's impossible? It treats dualisms like puzzles to be solved.

Let's start with an example that many will already recognize. In the past, Western firms often saw product quality and production cost as a dualist opposite pair. The ideal would have been to have low cost and high quality, but in practice lower costs meant inferior quality and increasing quality increased costs: a trade-off.

But the Japanese discovered a better way, captured in the phrase ‘right first time’. If you ensure that the components and the manufacturing process are of superior quality in the first place you can actually reduce costs, because there is less wastage, less machine downtime with inferior parts getting caught up in machines, less demand for special quality control workers. Not only that, but customers will be more satisfied because there is less chance of defective products reaching them. Adopting and pursuing this perspective, many Western manufacturers have been learning that you don't have to trade off quality and cost, you can have both.