2 Honda at Home Base

Honda is an interesting example of what small companies can do.¹

In this chapter we are going to take a good look at Honda in Japan, at its factories, at its people, at its organization. We have to be as objective as we can about Honda in its Japanese context. This means steering clear of two tempting approaches, either trying to show how typically 'Japanese’ Honda is – a view from the West – or alternatively, noting how ‘un-Japanese' Honda is – precisely the view many Japanese observers have taken of the firm.

At some points we will show how Honda fits the conventional Japanese model and in what respects it differs. But I do hope that as you read this chapter, you’ll try not to think – let’s say you are a Western automotive industry engineer – ‘oh, that shows how Japanese Honda is’, or alternatively, ‘oh, we do the same thing, so Honda’s no better than us’. These are the kinds of errors that Honda’s British partner Rover used to make. Later we’ll see how Rover has learned better. Anyway, what we’re going to see is how Honda is both Japanese and un-Japanese. And it’s grasping the combination of ‘opposites’ that is the key to understanding how Honda has solved the puzzle of the Japan – West dualism in constructing its global local corporation.

This is not the place to tell Honda’s history in Japan. That tale’s been told before.² Our goal is to understand Honda as a multinational enterprise. But we do need to get as clear a picture as we can of how Honda functions in Japan, because it is out of the Japanese home base that Honda’s multinationalism has emerged, and that home base remains the most important pillar of the multinational enterprise even as new pillars are being erected in other countries on other continents.

We concentrate in this chapter as throughout the book on Honda the automobile producer. Honda is also a world leader in other products: motorcycles and a variety of power products from lawn mowers to outboard motors. But it is the automobile activities that are central to Honda and to us.

However, this is the place to point out that on many occasions Honda has pioneered the way for its automobile business with motorcycles, both in Japan and overseas. Much that has later emerged
in automobile production was first seen, in embryo, in making motorcycles. Unfortunately, to analyse that process in detail would complicate our story too much, and certainly by the period we're most interested in, the years since 1980, automobile production was increasingly important for Honda, accounting for 56 per cent of total company sales by value in 1983, and 82 per cent by 1992.

We start with a brief word about Honda's founders. Then it is straight on to analyse the factories, Honda's links to its parts makers, the importance of geography. From there to questions of technology and organization, of research and development, and of markets in Japan and overseas. For each aspect of Honda's operations, we will distil the essence of what has made Honda so successful.

MR HONDA'S COMPANY

Soichiro Honda founded the Honda Motor Co. at Hamamatsu, near the southern coast of Japan between Tokyo and Nagoya. That was in 1948. For the first fifteen years, Honda was a motorcycle producer, selling its products in Japan and the world over. The first automobile for sale came in 1963. And yet only 26 years later, in 1989, Soichiro Honda became the first Japanese to be honoured in Detroit's prestigious 'Automotive Industry Hall of Fame'. When he died in 1991, he was compared to Henry Ford as perhaps the last great individual pioneer in the industry.

This book is not the story of Mr Honda and how he built up his company. But it is the story of that company and how it became a world innovator multinational enterprise, and that story builds on the foundation and legacy Mr Honda left behind. He was known as an engineer of enormous determination, who pushed his employees hard and drove them to succeed. He was known for his lack of formality, his lack of interest in participating in Japan's political scene as a member of 'Japan Inc'. He was known for his focus on making his products equal to the best in the world, even at a time when Japan viewed itself, and was widely viewed from outside, as inferior to the best as far as industry and technology were concerned.

But Mr Honda's company was also known for Takeo Fujisawa. It was Mr Fujisawa who actually ran the Honda Motor Co. as a business until he retired in 1973 (and appears to have persuaded the founder that he should step down then too). It was Mr Fujisawa who left his stamp on the organization side of the business. His willingness to take