The "Honda Effect"

The preceding account of Honda's inroads in the U.S. motorcycle industry provides more than a second perspective on reality. It focuses our attention on different issues and raises different questions. What factors permitted two men as unlike one another as Honda and Fujisawa to function effectively as a team? What incentives and understandings permitted the Japanese executives at American Honda to respond to the market as it emerged rather than doggedly pursue the 250cc and 305cc strategy that Mr. Honda favored? What decision process permitted the relatively junior sales director to overturn the bosses' preferences and choose the Nicest People campaign? What values or commitment drove Honda to take the enormous risk of alienating its dealers in 1964 in shifting from a consignment to cash? In hindsight, these pivotal events all seem ho-hum common sense. But each day, as organizations live out their lives without the benefit of hindsight, few choose so well and so consistently.

The juxtaposed perspectives reveal what I shall call the "Honda Effect." Western consultants, academics, and executives express a preference for over-simplifications of reality and cognitively linear explanations of events. To be sure, they have always acknowledged that the "human factor" must be taken into account. But extensive reading of strategy cases at business schools, consultants' reports, strategic planning documents, as well as the coverage of the popular press reveals a widespread tendency to overlook the process through which organizations experiment, adapt, and learn. We tend to impute coherence and purposive rationality to events when the opposite may be closer to the truth. How an organization deals with miscalculation, mistakes, and serendipitous events outside its field of vision is often crucial to success over time. It is this realm that requires better understanding and further research if we are to enhance our ability to guide an organization's destiny.

An earlier section has addressed the shortcomings of the narrowly defined microeconomic strategy model. The Japanese avoid this pitfall by adopting a broader notion of "strategy". In our recent awe of things Japanese, most Americans forget that the original products of the Japanese automotive manufacturers badly missed the mark. Toyota's Toyopet was square, sexless, and mechanically defective. It failed miserably, as did Datsun's first several entries into the U.S. market. More recently, Mazda miscalculated badly with its first rotary engine and nearly went bankrupt. Contrary to myth, the Japanese did not from the
onset embark on a strategy to seize the high-quality small-car market. They manufactured what they were accustomed to building in Japan and tried to sell it abroad. Their success, as any Japanese automotive executive will readily agree, did not result from a bold insight by a few big brains at the top. On the contrary, success was achieved by senior managers humble enough not to take their initial strategic positions too seriously. What saved Japan's near-failures was the cumulative impact of "little brains" in the form of salesmen and dealers and production workers, all contributing incrementally to the quality and market position these companies enjoy today. Middle and upper management saw their primary task as guiding and orchestrating this input from below rather than steering the organization from above along a predetermined strategic course.

The Japanese don't use the term "strategy" to describe a crisp business definition or competitive master plan. They think more in terms of "strategic accommodation," or "adaptive persistence," underscoring their belief that corporate direction evolves from an incremental adjustment to unfolding events. Rarely, in their view, does one leader (or a strategic planning group) produce a bold strategy that guides a firm unerringly. Far more frequently, the input is from below. It is this ability of an organization to move information and ideas from the bottom to the top and back again in continuous dialogue that the Japanese value above all things. As this dialogue is pursued, what in hindsight may be "strategy" evolves. In sum, "strategy" is defined as "all the things necessary for the successful functioning of organization as an adaptive mechanism."