

**TOP TALKS**

## **Honda's Origin**

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Soichiro Honda

Takeo Fujisawa

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Takeo Fukui



On the publication of *TOP TALKS – Honda's Origin*

## **By going back to the origin, we start seeing the present and the future**

Takeo Fukui  
President and CEO

Now that *TOP TALKS – Honda's Origin* is delivered to all of you, I would like to say that if you read this, you will start seeing the Honda of the present and the future.

This book is filled with the words of the founders of Honda, Mr. Soichiro Honda and Mr. Takeo Fujisawa, as well as of our successive presidents.

Some people might think these are stories of the past. It certainly does include words written in the past. However, you will realize when you read it that they are not outdated at all. You will start seeing the essence of things which remains unchanged, beyond the times and other boundaries, whether countries or companies. In fact, you will realize why Honda is the way it is now. That is because words gathered and recorded here are the words which pass on the essence of Honda's history and philosophy.

At Honda, we called these words "origin" and put much value in them because we have learned from our predecessors that we can advance and grow by going back to

our origin. The subtitle of this book, "Honda's Origin," implies that.

The publication date of this book, November 17, 2006, is the centennial of Mr. Honda's birth. It is a day worth commemorating for us, however, if we are to respect Mr. Honda's spirit, which would say that the founder is just another individual, holding a festival of hero worship would not make it a commemoration in the truest sense.

I wanted to turn this commemorative day into an opportunity for us to revisit our origin and I asked the relevant departments for ideas. One of the ideas was to publish an edited 21<sup>st</sup> century version of *TOP TALKS*, which was originally issued in 1984. *TOP TALKS* is a book published for Honda associates in 1983, as a part of Honda's 35<sup>th</sup> anniversary events, and it contains the words and stories that Mr. Honda, Mr. Fujisawa, and Mr. Kawashima, the second president, told us on various occasions in company newsletters or through other means of communications.

As a tool to revisit our origin, we decided to edit *TOP TALKS* from a modern perspective in consideration of the passage of some twenty years.

Four successive presidents have consented to this plan, and agreed to tell us about the era of their presidency. Their

words represent Honda's way of life and way of thinking, which have been passed on uninterrupted.

Along with the DVD with the actual voices of Mr. Soichiro Honda and Mr. Takeo Fujisawa, I would like you to feel close to our origin and deepen your understanding of it.

I believe that this company called Honda is a collection of people who can forge their future only when each individual associate maintains a high level of initiative and courage with the hope to advance and grow more today than yesterday, and more tomorrow than today, toward the dream of self-realization.

When I read *TOP TALKS* and think about Honda's origin, for some reason, I have a desire to talk about Honda with my friends. I hope many of you will feel the same when you read this book.

November 17, 2006

**Takeo Fukui**

President and CEO



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## Soichiro Honda

- Nov. 17, 1906 : Born in Shizuoka Prefecture
- Oct. 1946 : Established Honda Technical Research Institute
- Sept. 1948: Established Honda Motor Co., Ltd., became President and CEO
- Oct. 1973 : Retired as President and CEO, assumed the position of Director and Supreme Advisor
- Oct. 1983 : Retired as Director, became Supreme Advisor
- Aug. 5, 1991 : Passed away at age 84





# The Three Joys

1951

The December 1951 issue of the monthly company newsletter: The Tokyo Factory became operational in March 1951. Combined with the establishment of the Tokyo office, the bases of both production and sales were moved to Tokyo. The E-type Dream featuring a 4-stroke, OHV, 146cc E-type engine was introduced in October 1951.

I have set “The Three Joys” as a motto of our company. The Three Joys means the joy of producing\*, the joy of selling, and the joy of buying.

*[\* In 1998, the expression “the joy of producing” was adjusted to “the joy of creating.” For this original discussion by Mr. Honda, the original phrase “the joy of producing” is retained.]*

The first joy, the joy of producing, is a joy given only to engineers. Just like the supreme being whose infinite and rich creative spirit created everything in the universe and nature, it is an incomparable joy for an engineer to apply one’s own ideas and create a product which contributes to humanity and society. Moreover, if the product is an excellent one and well received by society, the joy of the engineer is absolutely unparalleled. As one engineer, I exert all my efforts while always desiring to create such a product.

The second joy is the joy of people who sell our products. We are a manufacturer. The products we make will be delivered to our customers through the cooperation and efforts of our dealers and sales agents. In this case, it is needless to say that those people who make efforts to sell our products will be pleased if the products have excellent quality and performance as well as a low price. Good and inexpensive products will always be welcomed. When a product sells well, there will be a profit and the pride and joy to sell the product. A company that creates products which do not please the people who sell them is a failure as a manufacturer.



The third joy, the joy of buying, most fairly determines the value of the product. It is not the manufacturer or dealers who know the value of the product the best and give the ultimate judgment. It is the customers who use the product everyday. The joy which makes a customer feel, "I am glad I got this product," is the victory wreath that lays on the value of the product. I quietly take pride in the fact that the value of our products will be communicated by the products themselves. This is because I am confident that our products will make customers happy.

The Three Joys is a motto of our company. I am devoting all of my energy to attaining it.

## **Financial Capital and Ideas** **1952**

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The March 1952 issue of the monthly company newsletter: Development of the first-generation F-type Cub, loved for its white tank and red engine, was completed in March. In April, the headquarters was moved from Itaya-cho, Hamamatsu to Maki-cho, Chuo-ku, Tokyo. In June, the company capital was increased from 2 million yen to 6 million yen.

In the period when the speed of social progress was slower, the most fundamental requirement for a business operation was economic capital. For example, products which require a certain production time period such as miso paste or soy sauce could be produced only by those who had a certain level of capital power. This is why many miso and soy sauce makers are operated by wealthy families from local regions.

At the present time, progress that took a decade or two in the past, now occurs in one year or even six months, and ideas rather than capital have become the fundamental requirement of a business operation.

During the era of feudalism, as represented by landowners, continuous ownership of land assured the person's status. Before World War II, those who had economic capital power could leverage their capital to maintain their status. However, in the current era when the entire world makes such rapid progress, capital power gave way to ideas as the most important thing for business operation.

Ideas that are ahead of the times will lead the business to prosperity. Without good ideas, even those who have a bag of gold coins will miss the bus bound for the new era and become losers.

I often hear people say that businesses are not doing well due to a lack of capital, however, it is not capital they are lacking but rather ideas. In fact, there are some companies with a limited amount of capital achieving excellent growth because they have new ideas. On the other hand, there are a quite a number of companies which invest substantial capital in their factory and hire a large number of people, still not performing well and operating in the red.

Today's rapid progress reversed the level of importance for business between capital and ideas.

# Self-Admonishment – with an Engineer’s Conscience

1952

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The September 1952 issue of the monthly company newsletter: While enjoying explosive sales of the F-type Cub, Mr. Honda expressed his thoughts on how engineers are supposed to act in an essay subtitled “with an engineer’s conscience.”

People often say, “That is a person of integrity.” A person of integrity is a person who is fair, conducts themselves well, is sincere, and considerate. This description applies to some professions, such as school teachers or religious officials.

However, for engineers, this common description does not apply. No matter how sincere and how well a person conducts themselves, that person cannot be called a person of integrity as an engineer unless the products the person creates are excellent and lacking any defects.

An engineer who contributes to the world by creating good products is a person of integrity and a highly regarded person.

I would like to consider more about highly regarded people. When we delve into the phrase “highly regarded” from a psychological viewpoint, scholars, generals, ministers and milliners will likely be considered highly regarded people. Professors with great knowledge, military personnel with a strategic mind, politicians with great tact – they also are highly regarded people for sure. However, I believe that the level of admiration for a person is determined by the level of contribution the person makes to the world.

I think that the value of the person is determined by the quality and quantity of work the person accomplished within the limited span of life. I must determine that a person, who makes inferior products which may break down after a short while, has

an inferior personality as an engineer, no matter what kind of person they are in everyday life.

Automobiles manufactured by a certain company have had rattling joints for the last ten years. This is a blatant lack of a technological conscience. I have to say that they represent the typical case of broken personality as engineers.

If I notice a weakness in one of our own products, or if a weakness is pointed out by other people, I immediately make modifications. I will not waste any time.

This is why we treat advice from our customers as a treasured asset of our company. I seriously think that we must fundamentally change our stereotypes that only a moralist or a person of religion can be a person of integrity, and that a person of integrity always makes an excellent engineer.

I admonish and encourage myself by saying that engineers must strive to create products at low prices that contribute to the world through technology and are wanted by the masses and useful to the masses.

## From an International Viewpoint

1952

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The October 1952 issue of the monthly company newsletter: The export of the Dream model to the Philippines and Okinawa (before it was returned to Japan) began in October of this year. This is an essay to call on Honda associates to build products which target not only Japan but the world. In November, company capital was increased to 15 million yen. Employment was a little over 1,300 associates this year.

As I always say, I am striving based on my desire to satisfy our customers by making good products at low prices. However, I know that we have not earned complete satisfaction in terms of product performance. I know there still are a quite lot of occasions that we are inconveniencing our customers.

We have been striving to improve the performance of our products by continuously expanding the Saitama Plant established in April, and purchasing machinery from topnotch domestic makers. However, I recently realized there is a limit if I rely on these measures. Thanks to this realization, my company became, in reality and in name, one of the leading companies in the industry in Japan. It would not be an exaggeration to say that we far surpassed other companies in terms of product performance as well as production capacity.

In September, production of the Dream exceeded 1,000 units, and production of the Cub surpassed 5,000 units. In fact, I am sorry for causing a lot of trouble for customers and distributors because we have not been able to keep up with demand for these two products. We have reached a satisfactory level for now.

However, this only means we became a first-class company in Japan. Once we see things from an international viewpoint, the level we have achieved to date is embarrassing and discouraging.

As I said in my New Year greetings this year, what I am wishing is to raise our products above the international standard. I know very well that the gap between the standards of Japan and of advanced nations such as England and the U.S. is way too extreme.

However, this time, we are finally putting my wish – to compete against the world's first-class makers at the international technology standard – into action.

Needless to say, the basic elements here are precision and production efficiency along with the idea for the product itself. During the war, the degree of precision of Japan-made machine tools was in the range of hundredths of a millimeter. Even now, that level has not improved so much.

At my company, fortunately, the degree of precision of the key components of our products has already reached the international standard of thousandths of a millimeter, and we use precision inspection equipment called Air Micro to conduct inspection and measurement. On the other hand, our production capacity has also increased beyond comparison with others; however, if compared with the first-class foreign machines, it is out of the question. A Japan-made machine, tool of the highest performance takes 10 minutes to cut one gear, whereas the foreign machine takes 10 seconds. It performs 60 times better.

The reality is that we are using technological skills unique to Japanese people to somehow manage to supplement the incomplete precision of machine tools. Needless to say, it is impossible to meet international technological standards or to compete in the world by performance and cost while using products of Japanese machine tool makers.

In order to utilize and materialize our originality and ingenuity,

we must use highly capable machines. An old saying goes “A great calligrapher does not need to choose the ink brush.” However, I made a major decision to purchase the world’s first-class machine tools. Including ones I have already ordered and ones currently in the process of obtaining import permission, the total cost will be 300 million yen.

We are the first company to import this level of machines since the War, and the government offices in charge are helping us with extra understanding and passion. Though these machines are mostly made in the U.S. and Germany, once we utilize the precision and efficiency of these machines, I am confident that we will surely conquer the world markets, at least in the areas of motorcycles and small engines.

Though I am purchasing high-performing, foreign-made machine tools, I absolutely have no such small idea to take the entire market away from our domestic competition. The dollars my company used to purchase these machines are the dollars of the country. My wish is to earn dollars by utilizing the machines I buy using the dollars of the country.

Having said that, my company is not looking only to export. Once demand at home is satisfied to a certain level, excess capacity will be allocated for exports. By doing so, I wish to contribute to my country as an engineer from an international viewpoint and to repay those who helped my company grow to date.

I have never turned down a request for a company tour. I have even welcomed visitors from our competitors. This is because I was confident that by the time others can imitate my company, I would be moving onto new progress with more new ideas.

I simply cannot go along with the idea that in order to protect

our jobs we should set limits on the import of foreign cars. Technological competition should be conducted by technological means. No matter what barriers we put in their way, quality products will always find a way in. The import of 30,000 units of automobiles is a good example. Good products know no national boundaries. I don't know about other industries, but for motorcycles and small engines, in which I am involved, I absolutely do not want to repeat the same mistake as automobiles.

We are not the true number one in Japan if we become number one when dealing only with Japan. Japan is now a part of a global industrial structure; thus, once outstanding foreign products are imported, being number one in Japan falls apart instantly. Only after becoming number one in the world, can we be number one in Japan.

By utilizing high-performance and highly efficient foreign machine tools based on outstanding technological skills unique to Japanese, it will become possible to enter the global market. I came to this point to be certain that we can enter the global market by using foreign machines. With my own ideas, I am hoping to fly the Japanese flag in the Olympic stadium of technology.

I cannot help entreating the customers, dealers, and employees of my company to consent to understand my wish and determination and to spare no support and cooperation.

Advice from customers is a treasured asset of our company. Without the cooperation of dealers, our company will not exist. And it is employees who understand my ideas and fully utilize those highly capable machines that will soon come in one after another.

Let me ask you again not to withhold your further support and



cooperation in order for us to build perfect and unmatched products as soon as possible, and to feel The Three Joys – the joy of buying, the joy of selling, and the joy of producing – more deeply, and to make our own lives more rich and fun.

## **120% Quality Products**

**1953**

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The March 1953 issue of the monthly company newsletter: A year prior to this, Honda expanded its sales network all over Japan by recruiting bicycle shops for sales of the Cub model. By this time, the corporate attitude to strive to achieve high quality was already spelled out firmly. The Kyushu branch office was established in January of the same year.

At our company, we are striving to achieve a 120% quality rate for all parts, as well as finished products. It may sound a little strange to say 120% quality, however, I say so because 100% quality is not acceptable. As long as human beings are involved, when we set our goal at 100% quality, the fact is, it is inevitable that one or two percent of the items won't meet the standard.

The production goal for February is set at 2,200 units for the Dream and 10,000 units for the Cub. However, for a customer who purchases these products, the particular product is not one of 2,200 or one of 10,000. It is one of one, and each unit represents the entire technology and reliability of the Honda Motor, Co., Ltd.

For a customer, each individual product delivered is Honda itself. No matter if it is one defective product out of thousands or tens of thousands, it is not acceptable to the customer.

In order not to allow one defective product out of thousands or tens of thousands, we must have 120% quality products. I always say, "The customer is our master and the most valuable

asset of our company.” In order to satisfy and win the trust of all of our customers, literally with no exception, we must overcome any difficulties and build 120% quality products.

It is said that the product itself is the best and the biggest missionary, however, I would like to say that every product is like an “ambassador plenipotentiary” which represents the entire technology and reliability of our company.

At the same time, I would like to ask every supplier who supplies parts for our company to understand this, to cooperate with us, and to implement it.

Even if it is just one screw that is defective, products of Honda Motor cannot avoid being labeled imperfect. I would like to sincerely ask our suppliers to understand that it is a big insult to them for us to inspect each part they provide, and thus to deliver 120% quality parts with absolute confidence.

A 99% quality rate may sound outstanding; however, when that one percent of defective products is introduced, to the customer it is a 100% defective product.

Furthermore, as our wish is to provide our customers with service quality of 100%, and we take a perfect score as a passing grade, I ask all of our dealers to provide service of 120% in order to achieve service of 100%.

No matter how much service we provide to the customer, we will never be over-servicing.

# The Basis for Business Prosperity

1953

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The June 1953 issue of the monthly company newsletter: Around this time, construction of the Aoi Plant at Hamamatsu Factory began, and overall speed of plant construction was accelerated. Mr. Honda wrote an essay about plant operation for this month's issue as well as the previous month's issue. In July, construction of the Yamato plant (currently known as the Wako Plant at Saitama Factory) was completed.

It is widely believed that if a company makes good products at a low price, the product will sell certainly and the company will gain prosperity. However, there is a fundamental issue we must think about. That is whether or not the product is something wanted by people at large. Millstone, even if it is well made and inexpensive, would not be a product of the present day. The basis of business is to understand the demands of people of the time. In this sense, our products, both the Dream and the Cub, are most suitable for the time when people demand efficiency and speed.

When I built the 50cc bike motor, immediately after the war was over, most people were skeptical about the future. However, I carried through with my theory and belief and built the foundation of today's business. The most important thing for top management to do is to set the course for the company while looking at the current trends. To make this decision requires insight to identify customer demand. It is based on customer demand that manufactured goods become products for the first time.

Moreover, to be welcomed as merchandise by today's people at large, it must fulfill aesthetic requirements in addition to practical value. For instance, no one praises an automobile after driving it. Rather, people say it is a good car at first glance. As long as they are offered as merchandise, automobiles must offer good engine performance and a comfortable ride. Their criteria

have become very basic. Today, the criteria for a good automobile have heightened to require beauty beyond such practicality. Only when a manufacturer begins paying attention to aesthetic aspects beyond the practical value, will the manufactured goods be called merchandise. It is not until the manufactured goods attain a harmony of science and art that they become merchandise welcomed by the public.

Because our target customers are people who are most sensitive to the times, we have paid attention to this point from the beginning and been striving to achieve an unparalleled level in the area of design while hiring Keiichi Takasawa, an artist, as our advisor.

The basis of business prosperity is to serve our customers through our products.

## Workers' Conscience

1953

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The June 1953 issue of the monthly company newsletter: production began of the motorized bicycle, Benly (named after the Japanese word Benly, which means convenience, because of the easy-to-handle features of the product), and the first issue of the monthly company newsletter was published this month. With this essay, Mr. Honda taught that it is not technology, but each employee's conscience which improves products.

It is commonly believed that the immaturity of a technology is the reason for delays in improving a product; however, I recently realized that the lack of good conscience in the people who work at that factory is a bigger cause than the lack of technology.

For example, automobiles manufactured by a certain company have had rattling joints, but the company leaves it as is and

show no intention of fixing the problem. The company does not improve its products even though it has known about the rattling joints for some time now, and they have enough technological capability to fix it. That is because the company is lacking the passion to fix it and the conscience to provide the best service for customers who purchased a product from that company. In modern industry, companies that understand the feelings of the public and develop products enjoyed and loved by the public, will be loved by people and enjoy prosperity. And through this, a sense of pride in one's work and sense, of self-respect are generated.

If we truly have the spirit to provide the best services for our customers, that is to say, if we have a conscience as workers, no matter how hard it is, we would show our ingenuity and improve the product to satisfy our customers. Not being able to satisfy customers is the result of a company lacking the mindset to satisfy customers. The basis of work is the conscience of the person. I have been saying that ingenuity and invention are wisdom driven by desperation, and a strong conscience will certainly generate creative ingenuity.

The reason why I tell you, Honda employees, to keep our factory clean is not to look good from the outside. A mindset which neglects a dirty and unorganized factory will never generate excellent products. Our factory is where we all live. Those who have no mindset to organize this place will never be able to build excellent products. Our mindset is directly reflected in our products.

When we built Saitama Plant, I first installed a flush toilet and painted factory equipment and facilities using the dynamics of color. I did that because I knew a well-organized environment would foster a strong conscience which builds excellent products.

Technology is not the sole source of creative ingenuity. At each workplace where people maintain a strong conscience toward their work, excellent creative ingenuity will be generated, and product improvement and advancement will take place.

## This Is How I Think

1954

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The April 1954 issue of the monthly newsletter of the (former) Shirako Plant in Saitama Factory: From Mr. Honda's words at the first assistant manager training. Juno, which was introduced in January of this year, was an epoch-making new product; however, a series of problems occurred. At the same time, sales of the Dream were experiencing a slump. Under such circumstances, emergency adjustments were made for the production system in April.

The position I am in is equivalent to the conductor of an orchestra. As you all know very well, the most important thing for an orchestra is harmony. Without it, a beautiful melody will never be created. Exactly the same thing can be said about a company. If there is a person who works inefficiently, others have to keep pace with that person.

The most important thing for our company today is how to make the most efficient use of time, and only through that will we have the possibility of competing against American companies. Design changes were made based on our good conscience to provide service to our customer as quickly as possible – one hour or even one minute earlier.

We must know that we earn only by giving to the customer. We all desire to have an admirable life in society; however, those who do not have a passion for their workplace or those who know the weakness of their own work but do not address it are the equivalent of letting the company go under. The case of the windshield of Juno is an example. Knowing that glass can crack,

no one was willing to solve the issue on their own. We are doing business with a good conscience, and thus there is not even a fraction of significance whether a job is in one's own section.

I want you to understand again that our company is not a research center. There is no time to lose in the flow of time. We must cast off the attitude of a hired worker and solve problems autonomously. You must know why small businesses that might look like they are going under never actually go under, and feel like an owner of small-to-medium sized enterprise.

Two years ago, one of the products we introduced was well received in the market, and then we improved our facility so much. So, why aren't our products more attractive? To give you one example, we have been using cutting tools in a wasteful manner. You should not be satisfied with the current situation, but have a mindset like a business owner creating your own salary.

Let's live through this difficult time by keeping in mind that the best sales person is our customer, by maintaining our good conscience, and by making the most efficient use of time.

# Declaring Entry in The Isle of Man TT Races

1954

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The May 1954 issue of the monthly company newsletter: To realize the dream of becoming a world-class company, Mr. Honda declared the company's participation in racing. In June, Mr. Honda traveled Europe to visit the Isle of Man Tourist Trophy (TT) Races as well as European markets.

## Declaration

Some five years have passed since the founding of our Honda Motor Co., and I never cease to rejoice that the efforts of all our employees have taken form in the achievement of our epoch-making advances.

Since I was a small child, one of my dreams has been to compete in motor vehicle races all over the world with a vehicle of my own making, and to win. However, before I can become victor over the whole world, I must first, of course, assure the stability of the business, obtain precision machinery and equipment, and create superior designs. I have therefore been devoting myself entirely to these points, and working to present superior, practical vehicles to our customers in this country. Consequently, until today, I have not had any free time for turning my energy to motorcycle racing.

Now, however, reports on the recent international motorcycle race held in São Paulo have provided me with detailed information on the situation in the countries of Europe and America. I had thought that I was seeing the world with a fair degree of realism, without being caught up in fixed ideas, but now I realize that, after all, I have been blinded by my excessive feeling for Japan in its current state. Even now, the world is advancing at tremendous speed. Conversely, however, as I have always felt, I am filled with an abundant, unshakable confidence that I can win. The fighting spirit that is my nature will no longer allow me to continue turning away. Now that we are equipped with



a production system in which I have absolute confidence, the time of opportunity has arrived. I have reached the firm decision to enter the TT Races next year.

Never before has a Japanese company entered this race with a motorcycle made in Japan. It goes without saying that the winner of this race will be known across the globe, but the same is also true for any vehicle that completes the entire race safely. It is said, therefore, that the fame of such an achievement will assure a certain volume of exports, and that is why every major manufacturer in Germany, England, Italy, and France is concentrating on preparations with all their might.

I will fabricate a 250 cc (medium class) racer for this race, and as the representative of our Honda Motor Co., I will send it out into the spotlight of the world. I am confident that this vehicle can reach speeds exceeding 180 km/h.

Even a superior aircraft engine has a power output of about 55 PS per liter, but this racer will have nearly double that power, at 100 PS per liter. When this engine is completed on the basis of our company's creativity, it will be no exaggeration whatsoever to say that it will rank at the world's highest levels of engineering.

Since the motorcycle, a shining star of modern heavy industry, is a comprehensive business, it will require the highest engineering level not only of the engine but also of tires, chains, carburetors and other parts. To achieve this, it must be supported by meticulous attention to detail and unremitting effort.

I address all employees! Let us bring together the full strength of Honda Motor Co. to win through to this glorious achievement. The future of Honda Motor Co. depends on this, and the burden rests on your shoulders. I want you to turn your surging en-

thusiasm to this task, endure every trial, and press through with all the minute demands of work and research, making this your own chosen path. The advances made by Honda Motor Co. are the growth you achieve as human beings, and your growth is what assures our Honda Motor Co. its future. The scrupulous care that is required when tightening a single screw, and the commitment that refuses to waste a single sheet of paper: these are what will open the way before you, and prepare a route for Honda Motor Co.

Fortunately, our outside contractors, our agents, and our banks have given us their generous cooperation. I am, moreover, blessed with customers who join us as well to help concentrate our entire power on this point.

I see that Germany, though like us defeated in the war, has many industries that are reviving, and feel more than ever that our Honda Motor Co. must, above all, enter this race and complete it.

We must gauge the true worth of the Japanese machine industry, and raise it to a point where we can display it proudly to the entire world. The mission of our Honda Motor Co. is to enlighten Japanese industry.

With this, I announce my determination, and pledge with you that I will put my entire heart and soul, and turn all my creativity and skills to the task of entering the TT Races and winning them.

This I affirm.

March 20, 1954  
Soichiro Honda  
President, Honda Motor Co., Ltd.

## Don't Be Fixated on Immediate Interests

1955

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The February 1955 issue of the monthly newsletter of the (former) Shirako Plant in Saitama Factory: An excerpt from an essay by Mr. Honda responding to an essay by Mr. Fujisawa about the essence of Honda. In this year, the Ministry of International Trade and Industry (currently, Ministry of Economy, Trade, and Industry) announced an initiative to develop a national car. Also, this year became the beginning of an economic boom. Sales of the Dream 350cc model, for which a prototype was perfected in October of the previous year, began this February.

Who made the most money in the Edo period? It was the merchants. Due to the ban on foreign trading, the expansion plans of these merchants were very limited. As a result, there was a general trend to do brokerage-type business or do things to trip up others within the country. In addition, because the era of feudalism continued for a long time, these merchants became more skeptical of others.

Though there must be various reasons, there are small and large territories within a company. People are very sensitive to the vertical line of command, or the line of future career advancement. People on the same line are friendly to each other; however, people have combative emotions toward others on different lines or with horizontal cooperation. It happens too often that people use their brain for the purpose to destroy each other's virtue or excellence and waste their youthful years, which are supposed to be the most important time to be active and make achievements. And then people spend their advanced years in inertia. This leads people to be fixated only on immediate profit and loss.

Continuous conflicts among directors, among managers, or among employees will prevent us from achieving our larger goal – to build globally competitive products – and utilize the brains of excellent people.

# Think of The Foundation of a Company

1957

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The June 1957 issue of the monthly company newsletter: A labor dispute regarding pay raises occurred in Saitama in this year. In June, the technology research center was established within the Shirako Plant. The Dream C70, which was introduced in September, drew attention by incorporating a sense of Japan, found in shrines and temples, into its design, such as a square headlight.

Let me frankly tell you various thoughts I have had since the labor dispute about the current situation of the company and my wishes for the future. What I most keenly felt regarding this problem is that everybody is blindly following the crowd. I want all of you to better grasp the growth process of the company and significance of the continuing existence of the company.

As a basic attitude, we must think about the fact, as for our motorcycles, that what we do is only 25% and we rely on our partners for the remaining 75%, and we must think about our customers who purchase the products we build. We should be more humble about what we do, and being selfish is not a management attitude acceptable to us as representatives of Honda. We must remember that we are a part of a social structure and what we desire is also desired by others. For Honda to be loved, we must always bear in mind all of the people involved in creating and bringing Honda motorcycles to market.

Trust is all about being loved, keeping promises, and letting others earn a profit. Sanyo of western Japan and Honda of eastern Japan – people once called us representatives of “après-guerre” (young, reckless) companies. The reason we survived to date is because Honda did not pursue profit for Honda alone.

Based on this trust, Honda can continue to survive even when we face economic recession. I want Honda to be recognized as a highly regarded company, instead of us receiving recognition

just because we work for a profitable company – because each person who works at Honda is admirable.

We face some issues about compensation, however, wages are something we can decide as appropriate. To determine wages, we compare with the wages of other companies in the same industry, in the same region, and throughout Japan. If the wages match the greatest common denominator, they should be about right.

We should never be selfish people who only think of ourselves, but rather we must respect the right to earn income and the personality of others. I have no intention to work together hand-in-hand with those people who do not make decisions from a broader perspective and those who just think of themselves. Everything has its own reasonable level. Ever since I founded this company, I think you know enough about my feelings.

The reason I do not differentiate between office staff and factory staff in this company is because I do not want to differentiate people by their school diplomas. Why do we need such differentiation for people who are equal in nature? You should be able to understand my belief if you look at the history of the company and what we are now.

During this incident, I happened to ask someone what would happen if I raise the pay only for those in Saitama. The person responded he didn't know about Hamamatsu. This is the problem. Not thinking from management's point of view because you are not a part of management means you as a person do not think by putting yourself into other people's shoes. The reason I would like to compensate those who are sick or injured is because I can see myself in such a situation.

In the same way, I think the operation of a company relies on

mutual cooperation.

I want you all to realize that moral behavior and becoming a better person is the result of the feelings of empathy and compassion.

## My Frank Life

1959

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The May 1959 issue of the monthly company newsletter: Excerpts from an essay “My Frank Life,” which discusses education and real-life experiences. In May of this year, production of the F-150 tiller began. In March of the following year, 1960, construction of the Honda headquarters building in Yaesu, Tokyo was completed. In July of the same year, Honda R&D Co., Ltd. was established.

### **Putting together what you learned by listening and what you experienced**

I don't like to read books. I know this is an extreme thing to say, but books only reveal something from the past. When I read books, I cannot help feeling that I will be mired in the past and go backward.

All in all, I have moved forward in my life based on what I believed is right by putting together what I saw, listened and tried. If there is something I don't know and even if I have time to read a book about it, I would rather ask people.

Out of 500 pages, all I need is about one page. I would not do something so inefficient to find that one page. There are many college graduates in our company, so it is quicker to give experts in the particular field homework and ask them questions. Then I make decisions after combining it with my experiences to date. Some people think Soichiro Honda is doing A to Z himself, but they have it all wrong!

After all, I think it is my good trait that I can ask people questions very frankly. In other words, because I openly display the fact that I didn't go to school, there is no mystery if I don't know something. So, I can ask anybody questions very freely. If I had gone to school, I would be thinking that I might get laughed at if I didn't know such things, thus, I couldn't ask people questions that exposed my ignorance. When this happens, people tend to try too hard. It takes time to figure out things that we can figure out quickly if we ask other people. There is nothing more inefficient than this.

### **We must be sensitive to the problem before we can solve it**

The same thing can be said about the efficiency of a factory. There are surprisingly few problems that need to be solved technically. Those are more likely to be secondary issues. The most important issue is time.

If we want to double our production, we just need to work in half the time we currently take. Everybody understands this. No division or algebra is required. As long as we know addition and subtraction, anybody can improve efficiency.

When we act, we must be sensitive to the problem. Technology does not solve every problem. Before technology, sensing the problem is required. There are so many engineers in Japan, but problems are not being solved quickly. That is because they don't sense the problem. If we sense the problem, our issue will be how to get the same job done in half of the time.

When such an issue is raised, then engineers are in need. The sensing part does not require engineers. I cannot help feeling that you are forgetting such very basic things.

### **Role of experts**

Recently, top-class newspapers have written ostentatiously that

we should conduct a survey to find out what types of products should be developed for what prices.

Those articles disappointed me. Public surveys can serve as a reference. For example, I would agree if the purpose of the survey is to find out how well the public accepted the seed we planted or to determine their complaints. However, it is wrong to ask the public questions about the original product.

Why would experts in manufacturing have to ask such questions of non-experts in the general public? If so, they cannot be called experts. Information we can get by asking the public what kind of product they want is old. If the non-expert public knows something, it is not a new design.

Invention, originality, and new design are about surprising public expectations. While mistaking this point, some manufacturers conduct a survey when they make a new product. Then the product will be something to please everyone. And such companies will end up chasing after others all the time. In other words, they end up becoming just hired workers without thinking like experts.

## **Hoist Our Sails to Take Advantage of Our Strengths** **1962**

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The January 1962 issue of the monthly company newsletter: Honda began making firm progress toward the goal to become an international company by entering overseas markets such as the U.S. and Europe and by winning the Isle of Man TT Race. By then, the company had the capital of 8.64 billion yen and more than 5,000 associates.

There is an old saying that when you go see someone you love, a distance of 1000 Li feels like 1 Li. (Li is an old unit of measure



for distance used in Japan. 1 Li is about 4km.)

If I can dedicate myself to something I love to the point where time doesn't matter, there can be no happier life. To achieve that, each person should be perfectly frank about their strengths and weaknesses. A stone is good as a stone, a diamond is good as a diamond.

Supervisors must quickly identify what their subordinates are good at, help bring that out, and assign the right person to the right position. When this is done, stones and diamonds will all become real treasures.

On the ship called a company  
Put those people who are treasures  
Some who take the helm  
Some who row the boat  
With a sail full of wind  
On the mighty ocean  
Enjoying each other's company  
Heading toward one goal  
There is no journey more fun than this.

## **Action Is a Cutting Knife and Theory Is The Owner of The Knife** **1962**

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The March 1962 issue of the monthly company newsletter: From the reprinted article of "A piece of my ideology."

Each action has motivation and purpose. A human being will never take an evil action when their motivation is just and their purpose is to do something good.

Motivation and purpose which create action are built upon

people's thoughts. If that thought is not right, there will be no right action. What we think is more important than what we do. Action, like a cutting knife, can be either a convenient tool or a lethal weapon – what determines the result, I think, is whether the idea or theories supporting the action are right or wrong.

## True Assets

1965

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The February 1965 issue of the monthly company newsletter: From the New Year's remarks titled "Valuable Assets Which Lead to the Future." During the year prior to this, high economic growth continued in Japan, however, numerous companies went bankrupt due to strains related to the growth. Under these circumstances, Honda drew attention by introducing a long-term "2-year/50,000 kilometer" warranty.

As you know, last year was a difficult year in many respects. Due to the serious economic recession, various companies went bankrupt.

In such an environment, through the efforts of the entire company we introduced a 2-year/50,000km warranty, which is something unheard of, at least in Japan. I am thinking that we had a good year, which was rich in terms of what we accomplished.

I think this warranty shocked the industry. As in the saying "the protruding nail will be beaten down," groundless rumors about our company were circulated. The world is a funny place. People make various judgments while looking only at the surface of things. Moreover, people make these judgments by adding their own subjective opinions to what they hear from others. I think this is a very dangerous thing to do.

However, becoming a popular topic of conversations is one proof that our company is receiving that much public attention.

I almost want to think that such rumors have served as good advertising.

It was written that Honda lost money on automobiles this year. We definitely did not lose money. I say this loud and clear. The value of things is not measured only by money. What I want to put the most importance on is the fact that the technology and knowledge which you cultivated are the largest asset we have, transcending money.

The 2-year/50,000km warranty was achieved through the ingenuity and efforts of each of us. This fact is a big and valuable asset that leads to the future. The most important thing for a company is to utilize the cumulative efforts and ingenuity and let this grow for the future.

If we look back at the automobile industry's past, there are some companies who copy foreign products. If it is just copying, it may not be so bad. But there are some companies who paid more money than we spent in order to have technology tie-ups with foreign companies. We do not have a technology tie-up, but we accomplished the development of automobiles very well with less money than what others paid for their technology tie-ups. I think this is an important point.

How could a company possibly export automobiles which are built with designs borrowed from foreign companies? This is like announcing to the public, "We borrowed ideas from others to build this car because we do not have ideas of our own."

However, the majority of Japanese people prefer foreign products, or admire companies that tie up with foreign businesses. I am sure that nobody at our company thinks it is easier to rely on a foreign company. I feel very confident and happy, because you are all the kind of people who want to work hard and do it

on your own.

Other automakers, who started earlier than us, must have a strong sense of vigilance about us. The tactics used by those companies to copy others are easy to figure out. But our way of doing things is not in a textbook or catalog. I think each of us has begun to build up true capabilities which were not borrowed, but painstakingly learned on our own.

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I think it is wrong to say a company is good or bad looking at just one part of it at one moment in time. A company is not like a merchant operating in a night stall who sells cheap stuff and then folds up and flits away. A company should endure forever.

Toward this end, it is sometimes necessary to risk your life in the short run to have greater gain in the long run. In the board game of "Go," there is such a life-risking move. It doesn't always look like a great move at the time, however, the small move you make can have a great impact when we count at the end.

In that sense, what we have done to date is very effective, and we have been spending our money in wonderful ways. In the next fiscal year, unless there is a major change in the economy, we will be completely ready to be profitable with our automobile business. When our motorcycle business is profitable, and our automobile business is also profitable ... there won't be any more wonderful and encouraging year than this one. So, let us all work hard together and achieve our goals.

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The reason we face recession and bankruptcy while the Japanese economy has grown so much is because many companies

are lacking long-term vision, and there are only a few who try to grow their abilities based on a long-term perspective. In other words, there are too many companies with a moneylender mindset. Various problems arise because such companies only have stop-gap ideas and too narrow of view.

Though it is a defeated nation, West Germany reconstructed first and is enjoying prosperity. This is because they do not do stop-gap ideas based on a narrow view, they take time to plan, and make products with unique characteristics.

That is the difference with Japanese. In that respect, I keenly feel that our company is very sound. There probably is no other company which does things as soundly and seriously as we do. Our company is built on the knowledge of each individual without relying on others.

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There was a magazine article saying, "Honda has grown to date by marketing its youth. However, facing this kind of economic recession, youth means inexperienced, therefore they started to reveal the downside of that identity."

This is completely irrelevant. If they say that Honda is a bunch of inexperienced young guys, well then, let's show them our achievement this year. I guess I belong to the elderly side of the group, but at least my spirit is young.

As you can see, I am very much alive. So, I want you guys to strengthen our footing and turn over the old and obstinate guys' perception that young guys are no good. To achieve this will be motivation in life for all of us and it will be our pride. Isn't this the true nature of our company which has thus far enabled us to grow?

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There is a saying, “The Peony tree hibernates in winter by wearing a straw cover.”

An arrow has to be pulled backward to be shot forward. So, last year, we drew back the bow to the full extent. Now, let’s release it this year. This year especially will be a year worth getting ourselves psyched up. So, let’s maintain good health and work hard, and make it a happy year.

## What Mistakes Teach Us

1965

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The July 1965 issue of the monthly newsletter of the (former) Wako Plant: Mr. Honda spoke at a round-table discussion with gold award winners who made great suggestions for improvements. In September, Honda U.K. was established. In October, Honda won the Formula 1 Mexico Grand Prix.

Youth does not repeat itself twice, so I want you to take a full swing and work hard. Any mistakes you make when you are young will not be so serious as to put the company in danger. However, if you don’t try to do anything and act shy when you are young, and then make a mistake after you are older when you have a position with greater responsibility, it could put our company in danger.

That is why I make our employees work as soon as they join the company. The best way to work is to see, listen, and try things at the spot. You try and fail, then think about why you failed. When you understand the reason for the mistake, you learn the most.

When I was small, say grade 2 or 3, an old man at a stone shop was carving a statue of Jizo, the guardian deity of children. I

started thinking that this statue would perfectly fit to my image if I could fix the nose. Then I felt an irresistible desire to fix it. So, when the old man was not there, I took his chisel and worked on the nose. But the nose came off! This old man knew that the only person who does this kind of thing is Soichiro of the Honda family, so I was put on the wanted list (laughter).

But when the nose came off, I realized, for the first time, without being lectured by my teacher or my old man, "I did something wrong. I should never do this again."

This is just one example, but I am sure everybody has this kind of experience. If you are afraid of making mistakes, the best solution is not to work. When you leave this company at retirement age, I don't want you to make a stupid remark such as, "Thanks to you all, I spent my days without any big trouble." That is like the way of life of a chief retainer who served his lord suppressing himself. To me, a fulfilling life is when you can be happy and proud to have it said, "You made a lot of mistakes, but you also accomplished some big things."

It's OK to make mistakes. But you must make sure that you do not make a mistake twice for the same reason. That is the important point.

# A Company Is Built on Its People

**1966**

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The January 1966 issue of the monthly newsletter of the research center: In the mid-1960s, the “my car” boom began, and automobile sales competition was intensified. Mergers and technology tie-ups were popular among automakers around this time. However, in his New Year’s remarks, Mr. Honda criticized a management principle which supports company growth through mergers.

Last year, exports by Honda Motor grew, and the overall result was also good. Because we did well while the rest of Japan was suffering from recession, I was often told, “I envy you, Honda-san.”

The world is a funny place. There are so many people who say things happen based on coincidence. But it is not so in reality. The issue is to do it later or do it first. There are two types of people. One group, those who work hard after they find themselves in trouble, and the other, those who anticipate problems and address them in advance.

In other words, the issue is how you gain time to stay ahead of others. No matter what technology we have, it does not matter if we don’t stay ahead of others. This is just like missing the deadline for turning in paperwork. It is too late to say we could do that. After all, it is first come, first served.

One other thing I can say about last year is that the deregulation of the automobile industry occurred. However, I think a company is all about people. I think money and other things are not so important. There are many people who made money by having good ideas and by staying ahead of others. We can raise money even from all over the world if we can show Honda has good products and we can make money with them.

A big company which has a lot of money will run out of that



money once they spend it. So, after all, a company can grow big through the efforts of those who work there and by how those people generate ideas and stay ahead of others. In short, a company is built on the strengths of its people. That is exactly right.

On the other hand, there was an environment for mergers last year. People think that mergers will increase the size of capital for the company and enable the company to compete against foreign capital. To think that larger capital will help them do the job is exactly the same as ideas in the Edo period (1603–1867). It is the most immature type of capitalism which ignores human values.

Present-day capitalism is modified and has human values as a foundations, however, people are edging toward a rigid way of thinking that ignores human values. As we enter such an environment, this year will be the greatest opportunity for us to show our true capability. We must not miss this opportunity. Toward this end, I want you to thoroughly pursue technology and time.

To talk about this in terms of fabric, the strings on a loom run in two directions. The yarn that is attached to the loom is called the warp and represents “technology.” The woof is the yarn that is woven back and forth through it and represents “time.” Only by interweaving the woof and warp does the yarn become a product (fabric.) To speed up the process, all we can do is increase the shuttle speed of the woof. Further, determining how to speed up the woof shuttle accurately becomes our unique ability.

Time is an issue not only for technology development but also for streamlining office work. In a similar way, we live because we have a certain amount of time assigned to us. With the

limited time of life, we have to focus on how to use our time effectively.

Our job is the same way. We supposedly test drive, design, and place orders based on a plan. However, it is often true that things do not go as planned. Especially at the research center, time is often unpredictable. As a result, we run out of time in our quest for technologies, and our plans often get derailed. However, I think we will never advance ourselves if we don't focus on putting the schedule back in order if it gets off track.

No matter how good the technologies each section comes up with, if the timing is not right, such technologies become worthless. Looking at invention, originality, and ingenuity, the most important factor is time. No matter how good the innovation or discovery, if they are even one one-millionth of a second late, they are no longer an innovation or discovery

Ideas and time are absolute things and inseparable. Nor does the yarn make fabric on its own. When it gets cut off, put it back together immediately and get back on the original schedule. Or if the yarn is bad, it needs to be changed to a stronger yarn.

Using different tactics, I want you all to implement your ideas quickly. For things I design, I always want to see the actual thing as soon as possible. For that, I even think that what I designed should get worked on quickly even if others' have to get delayed. This is normal. We must have these feelings to enjoy the true joy of making things.

The joy we feel when our own idea takes shape is like looking at our blood-related sibling or child. This is a true feeling of those who work. Don't let only a few people do the job. I want you all to work together and put your own ideas in everything.

And I want you to think more seriously about how quickly you can get ahead of others.

## **The Right Way of Seeing Things 1966**

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The April 1966 issue of the monthly company newsletter: An excerpt from "Recommendations for New Honda Associates." For the purpose of establishing a structure for auto sales, Honda Sales Research (dissolved in 1974 to form a better organization) and Honda Pre-owned Vehicle Sales (name was changed to HISCO in 1973) were established in April.

### **Learning by seeing and learning by observing**

The world is a funny place. There are so many people who see only what is on the surface.

There is a word "Kengaku" which literally means learning by seeing. You will have some opportunities to take plant tours in the future. But learning by looking at things with your eyes is not good. Instead, there is a way of looking at things so you actually observe. In other words, it has to be "Kangaku" – learning by observing.

The true way to see things is to observe them, and only by observing will we obtain the right kind of knowledge. What is the most important thing to learn by observing? That is, as I said earlier, to experience difficult times.

In a farm village, I asked a young man, "Where are the ears of a cow?" He could not answer. "Is there anyone here who can say exactly where the ears of a cow are located?" In fact, a cow's ears are located behind the horns. The horns are protecting the ears. The young man said, "Now that you mention it, I knew that." Even a man who lives his life seeing cattle everyday is at this level.

Then, I came to Tokyo and asked my friend, who is a painter, the same question. He gave a brilliant answer, saying, "They are behind the horns." A painter in Tokyo who sees a cow less than once a year knows it right off the top of his head, and a farmer who owns cattle does not know. That is because farmers do not care where a cow's ears are as long as the cow works hard for him and earns a good price! So, farmers may even think it is better if cows did not have ears. On the other hand, a painter has established the habit of seeing things all the time. He is not just looking at what is on the surface. Rather, he is observing. He experiences hard times by observing the nature of living things

In this sense, if you are trying to open your eyes with the right intention for observation, you need to experience hard times, no less! This will be the foundation to grow yourself the most.

### **Work with courage**

Today, the automobile industry is in an era just like the Sengoku era (a time of provincial wars).

The fact that we are conducting business in these wild times is very motivating. Because you joined the company in such times, I want you all to work hard. You have to think that you will take on challenges to face hard times. If you plan to have an easy life, you better go to a different company.

Now that you have joined our company, you need to prepare yourself to face some hard times. In exchange, we will not rely on others. We do not copy foreign companies. We do not purchase patents. We do not even think of getting help from the government. I clearly declare that we will walk our own path.

Though it seems mergers among companies are now booming, we will have nothing to do with that. Even if the government

told us to merge, we would not do it. A company president who was entrusted by employees and share holders has a right and an obligation to wish for the happiness of employees and share holders.

My basic focus as president of the company are Honda, our share holders, and you, the employees. I will not change these basics, no matter what the government says. I will not merge even if the government tells us to do so. But even if the government tells us not to do it, I would do it if it was convenient for us. If it works positively for us, I will do it. We do not care what others are doing.

Therefore, you too should have courage to pour new ideas into Honda and walk the road unique only to Honda. If you have an old way of thinking, see things from a narrow viewpoint, or hesitate to face hard times, I will make you leave this company immediately. I think I have to be this way to protect the company.

## **Be Aware of The Responsibility of Being a Top Company** **1967**

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The January 1967 issue of the monthly company newsletter: An excerpt from a speech delivered on November 29, 1966, at Dai-ichi Life Insurance Company Hall for an audience of Honda business partners. During this year, the N360 mini-car was introduced, and local Honda offices were built in each region of Japan in order to establish a full-scale automobile sales channel. In addition, the Suzuka auto plant became operational this year.

As you know, various issues related to automobile safety are being discussed in the U.S. On September 9 of this year, new legislation was enacted requiring immediate notification of vehicles that may cause accidents. Violators will be fined up to \$400,000 per case.

Honda became the first company to file a report on the possible risk of a gear shift problem for the CT200 (Hunter Cub 90cc). We did this based on our judgment that this is a natural obligation of a maker of transportation. However, this filing was miscommunicated in Japan, which is causing our stock price to go down. The actual issue is a very simple one which can be fixed by adding small parts. In addition, the issue has already been taken care of by offering after-sales service, and thus there have been no problems.

Following Honda, many of the world's first-class makers, such as GM, Ford, Chrysler, American Motors, Volkswagen, Rolls-Royce and Renault, have filed reports. These filings were well received in the U.S. because they clearly state the issues the vehicles have and what needs to be monitored, and thus it increases credibility. Though people seemed to receive it in the opposite way, I think it is the right thing to do to disclose those issues and give advance warnings as it involves human lives.

Recognizing a responsibility as the world's leading motorcycle maker, I am happy that we could take a firm stand. We are keenly aware that our products will become valueless unless every single screw or split pin is absolutely non-defective and reliable. In this respect, safety issues in the U.S. became a very good learning opportunity for Honda. I sincerely wish that this way of thinking becomes the ideology of Honda's future growth.

## Conditions for The Leap

1967

The October 1967 issue of the monthly company newsletter: From a speech delivered at the commemorative ceremony of the company's 19th anniversary. This was posted as a policy to enable the company to survive in the highly competitive auto industry. In May of this year, Honda won the F1 Italian Grand Prix. In December, the company announced the discontinuation of participation in TT racing.

### Originality is the key to victory

In fact, there were many other easy and quick ways to make money without going through a difficult time like we are now going through. If we buy patents from foreign companies or get into a technological tie-up, that is to say, if we imitate others, I think I would not have to put you through this much trouble.

The automobile industry is a very important industry which influences the economy of the nation. That is true in America as well as in Germany, England, France and also in Japan. In advanced nations, depending on how well the automobile industry does, there will be major differences in the economy. In addition, this is an industry with a century-long history. Therefore, it should not go so smoothly for us who newly entered the industry from our motorcycle business. However, even so, I do not want to get wisdom from others. If we borrow the ideas of others and mimic others, it would be easy for a time. The company will begin generating profit rather quickly, and thus does not have to face a bad reputation and criticism from the public. However, we always chose the most difficult path. That is because I believe that wisdom taught by others would not be wisdom which enables a company to grow in the true sense.

When I first drafted our current company principle to maintain an international viewpoint and when we announced our participation in racing, we got a lot of bashing from journalists questioning what a small factory of 500 or 1000 people can do.

However, we cannot achieve things without having goals. And we learn firsthand that if we try hard, we can achieve our goals, no matter how high they are. Therefore, as we pursue automobile business, we have been building on the foundation we established with motorcycles and power products in the direction we determined on our own. This requires a lot of efforts and money. We have probably spent tens of billions of yen worth of tangible and intangible resources since we started the automobile business. However, no matter how big of a loss it might appear, I don't consider it waste at all. The important thing is that it becomes a part of you, which someday enables you to wield tremendous power. I think this is the true way of money making.

**Because we are busy, ideas are necessary**

I was surprised and at the same time, encouraged to see so many of you with us for five years and three years, and also those who received gold, silver and bronze awards.

I think we should have great respect for the fact that many people, especially young non-R&D employees, are coming up with this many ideas even though they are so busy with everyday work.

It is often said that modern industry makes people part of a big system and work just like a component of a machine.

I don't want to work like that. I don't recommend that you work like that.

When you come up with even one idea and improve the work flow of this assembly line, for example, you will stop being a component and go back to being a human who handles the machine.

No matter how busy we are, there is something wrong with



those people who say that they are too busy and have no time to think. Because we are busy, we think and come up with creative ideas to make things easier. Good ideas do not come to people with nothing to do. When you are thinking about problems you are facing, it is difficult to fall sleep even if you go home. You may experience a difficult time which takes away your sense of taste to enjoy your meal. When you succeed for the first time after overcoming such difficulties or the mistakes that are inevitable when you try something new, I think you will feel that you grabbed happiness with your very own hands. It may look like a trivial thing in the eyes of others, but it is unparalleled and the greatest joy for that person. So, please maintain your attitude to think and improve your work to make it more rational, so that we will have hope for the next leap.

## **No National Boundaries for Good Products**

**1968**

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The January 1968 issue of the monthly company newsletter: In January 1968, cumulative motorcycle production at the Hamamatsu Factory exceeded 10 million units. This is an excerpt from the commemorative speech.

A record for motorcycle production of 10 million units was achieved by your very hands. I think this is the first time in the world. We achieved 5 million units for Super Cub last May. This time, it is 10 million units for all motorcycle models. As far as I know to date, there is no other parallel record of 10 million units of production for products at this price range. Moreover, products made by your hands are sold not only in Japan, but a lot of them are being exported overseas. We export to a hundred and some countries worldwide. The fact that our products are in the territory of the Soviet Union, where we have no commercial transactions – I always use the term “no boundaries for good products,” but it is exactly right.

I am very pleased that you admirably proved that good products can overcome any barriers with your hands, arms, brains, and bodies. I thank you all very much.

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What became the basis of our achievement to produce 10 million units of motorcycles is – as those who have been with us for a long time know – that we lost against Yamaha four times in a row at Asama. Our guys grew impatient and argued, “Yamaha is imitating the Germans. Why don’t we also imitate them? We can win that way. Why are we going through this much effort?”

I said to them, “If what the Germans thought can win, is there any reason why what we thought cannot win? We are the same human beings. We can win by bringing together the wisdom of all of us.” Then we all thought. Then, in the third year, we accomplished the glorious victory in the Isle of Man TT Races. By then, Asama was nothing. Our strong and unbending spirit raised up our products as products to be sold in the world. This product, for which you accomplished a great record today, did not have an easy start. It was a rough passage.

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It was said in the recent international TV coverage, I think you all heard about it, but Prime Minister Sato visited America and held a conference with journalists. A journalist asked a question like, “Japan has brought Honda’s motorcycles and transistor radios. What will be next?” Prime Minister Sato stood up and said, “I have been in various places including Southeast Asia. I saw a lot of Hondas. In each country, the motorcycles which were used to lead my vehicle were Hondas.” And the Prime Minister made journalists laugh by saying, “I plan not to bring a mini-skirt.” To this point, people cannot think of motorcycles without

thinking of Honda.

## **First, You Work for Yourself**

**1969**

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The April 1969 issue of the monthly company newsletter: An excerpt from a speech delivered at this year's new employee workshop. In this year, Honda made remarkable progress in global expansion with the establishment of Honda Australia (AUH) and Canadian Honda (currently known as Honda Canada) in February and March, respectively.

I always tell you not to work only for the company. You probably didn't join Honda with a subservient thought of working for the company. I think you joined the company fueled by high hopes about what you want to be. Working for yourself is the absolute requirement. Working hard for yourself will benefit the company and make the company better. Sacrificing yourself to make the company better – I am not asking you for such an old military-like thing. Working for yourself means being faithful to yourself. You may think it is selfishness, but that is not true. Human beings have a relative principle of wanting to be approved by others to make ourselves happy.

That is why people enjoy being called a good person by others.

We are not merely selfish, thinking only about the well-being of ourselves. In order to make yourself good, you must make others good, otherwise you will not be good. I am suggesting that you make yourself good based on this fundamental principle.

# Acquire What Is Universally Accepted

1969

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The April 1969 issue of the monthly company newsletter: From a CEO speech delivered at a workshop for new hires in 1969.

I will say it loud and clear. If you are thinking that Honda will never go bankrupt and there is no worry, you are completely wrong. I think it is possible that we could go under. If those who join the company are not good, then the company must go under. Therefore, it is impossible to say that we will never go under. If you are really working hard for yourself and if you have skills and conduct which others respect, you do not need to be with Honda forever. Other companies will buy you at a higher price.

When I quit the automobile repair business and began producing piston rings, I told my people that I would take care of reemployment for those who want to continue working in the area of auto repair. Once I started calling places, many said they wanted those who worked for Honda, and it became as if there were five or ten brides for each groom. They were offered much higher salaries than what I could offer and were welcomed to higher positions.

If at all there is a time for Honda to go bankrupt, as long as you have truly sharpened yourself, you will be highly valued anywhere you go. So, I will tell you to work for yourself.

# The Precious Value of Having One's Own Technologies

1971

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The April 1971 issue of the monthly company newsletter: From a speech delivered at a meeting to report activities to promote traffic safety during a motorcycle dealer meeting. In February, the CVCC engine was first announced. In March, cumulative motorcycle production exceeded 15 million units, and Honda, in name and reality, became the number one company in the motorcycle industry.

Today, Japan is said to be an economic giant. However, if we look at the Japanese economy from the perspective of technology, it is the exact opposite.

America earns more than \$1.2 billion annually through exports of patents and other know-how (applied technologies). In contrast, the money they spend purchasing technologies from other countries is approximately one-tenth. They are making a lot of money. On the other hand, it is the reality that Japan pays ten times more to foreign countries than what we export. That is why the Japanese economy looks shaky from the viewpoint of engineers. Surely, it is prosperous now. But how long will it last? Moreover, can we all proudly work with technologies we bought from somebody else?

Back in the day, I lost badly for several years at Asama races. Our machine was inferior to others which featured foreign technologies. But I thought this gap came from our lack of experience. "If foreign people can think of it, we should be able to do it, too. We should create something better. That way, we can be proud and also we can export." Under this belief, we strived together and established our current premier position in the motorcycle industry. I think the same can be said about today's pollution issues.

For the elimination of lead, rotary engines that do not need

valves are good. Further, the rotary engine is more advantageous, considering the space required to install an exhaust-gas aftertreatment device for lower emissions of NOx which is difficult to aftertreat. Because of this view, many makers are moving toward the introduction of rotary engines. Is it impossible to solve these issues with reciprocal engines? Can we take advantage of the fact that reciprocal engines are better in terms of complete combustion, which is important to tackle the issue of emissions?

The CVCC engine is one of the solutions for these issues and it is a new direction in technology. In this situation, the key is whether we have developed technology with our accumulated ideas built from scratch. Both valves made of new material and the CVCC were developed for the first time based on our unique technologies which we never stopped accumulating. I believe that we can achieve a true and honorable prosperity by utilizing these technologies we created with our own hands.

## Farewell Message

1973

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The August 1973 issue of the monthly company newsletter: In October 1973, co-founders, Soichiro Honda and Takeo Fujisawa retired and became Supreme Advisors. This is a farewell message as Mr. Honda retires from the position of President which he held for the 25 years since the establishment of the company. In this year, the 13<sup>th</sup> company capital increase was carried out, which increased the capital to 19.48 billion yen.

It was quite a while ago when I held a conversation with the vice president about passing the torch to the next generation and withdrawing from the front line at the timing of our 25<sup>th</sup> anniversary. I think it was around April when our intention was communicated to the four senior managing directors. The four Senior Managing Directors kindly accepted our intention, and

we are now in the process of discussing concrete plans of how we will do this.

It turned out that speculative media articles came out while I was in China before I could tell the news directly to you, thus, it may have seemed to be a sudden thing to you.

However, I am sure that people at Honda were sensing that this shift was just a matter of timing because of the introduction of the executive office system in 1964, the establishment of the management system led by four senior managing directors three years ago, and the fact that this company has been operated virtually by a management team centered on four Senior Managing Directors, especially over the last year or more.

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Honda is a company which has dreams, always proceeds with ambition and youthfulness and respects sound theory, develops fresh ideas and makes the most effective use of time.

Especially, youth is a willingness to face challenges and difficulties, and youth is a wisdom which creates new value without being constrained by conventional thinking.

In that sense, both my mind and body are young, and I don't feel like losing to any of you. Unfortunately, however, in reality, on more occasions I have felt, "It's nice to be young. I am no match for young people."

For example, on the occasion of CVCC engine development, I said that development of a low-emission engine would be a great opportunity for us to stand on the same starting line with the leading automakers. However, young people at the research center insisted that addressing the issue of tailpipe emissions

should not be done by egocentric thoughts of individual companies. It should be pursued as an obligation of the automobile industry based on its responsibility to society. These young people opened my eyes and deeply moved me.

It is said in the U.S., too, that the average age of the presidents of growing companies is in the 40s, and companies led by presidents in their 60s have a tendency to lack vitality and grow stagnant.

I keenly felt how wonderful it is to be young.

Honda has always stayed ahead of the times. And young people are in the center of such efforts.

You are all maturing rapidly.

We are entering an era which requires a fresh style of company management, built on a new set of values which is eye-opening to me, and a fresh sense about the relationship between business and society.

Responding to increasing demand for businesses to fulfill social responsibilities and to protect the natural environment on a global scale, organizations need more and more of the power and sensitivity of young people.

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Though we feel young, both the vice president and I are more than 60 years old. I think the time for us to stand at the forefront and lead you all is now over. Moreover, there is no need for us to interfere.



The vice president and I have been playing divided roles – the vice president was primarily in charge of sales, but also internal matters including finance and organizations, and I was in charge of technology and creating things as well as external matters. Because both of us are not a complete person, we could only be full-fledged top management by combining the two of us. Therefore, it came naturally to us as a concurrent thought to withdraw together.

Two incomplete men can carry out the job if they admire and complement each other and get along with each other. There is no perfect person on this earth. What is good and important about collegial organizations is that what one person is lacking or is incapable of doing will be covered by others, and at the same time, in the area of strength, the person's ability will be fully utilized. I want you to be fully aware that it is impossible to grow or even maintain a group of people called a company without the harmony of those people.

Based on the actual achievement of managing the company by four Senior Managing Directors, we are confident that Honda can maintain its vitality, flexibility and freshness. We can pass the torch with confidence.

I sincerely appreciate that you exerted efforts and made a good timing for us to pass the torch.

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Now that I think about it, we struggled a lot and made a lot of mistakes. I am sure that there were so many occasions where I was being selfish and caused you trouble. However, the important thing is that there is 99 percent failure in the process of research and the other efforts piled up behind the success of a major new job. I think we were able to work hard and reached

where we are now because we all understood this.

The 25 years which I lived with Honda are the most fulfilling years, where I felt in my bones everyday that my life was worth living. You all did a great job.

Thank you.

Thank you so much.

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The term “international viewpoint,” which comes at the beginning of the Company Principle, means to have a great frame of mind and not imitate others, with no lies or insincerity.

The constitution of our company, which respects originality and values the entire society including our customers, business partners, and the local communities where we do business, became established as a result of support from understanding people outside Honda and the efforts of you all. This basic philosophy bore fruit in the form of facilities, products, and various systems and rules at Honda, and it has blended together as “Hondamanship” which will remain unrelenting even with the change in top management.

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I would like you to continue to have big dreams, exercising the power of youth to the fullest extent, cooperating with each other to elevate Honda as a positive, upbeat company that provides job satisfaction, as well as a company which is highly regarded in the world and able to contribute to society.

It is all of you who will build a wonderful Honda of the future.

The two of us are not quitting the company. We would like to learn various things. And we would like to continue to be useful. Thank you.

## A Talented Hawk Should Show Its Talons

1977

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A book titled "Hoist Our Sails to take Advantage of Our Strengths," published in June 1977: Mr. Honda's book, "Hoist Our Sails to take Advantage of Our Strengths," published in 1977, is a new edition of the book of the same name published in 1967. This is an essay in which Mr. Honda insisted talented people should bring out their abilities to the fullest extent. Beginning this year, participation in TT racing resumed.

There are many different types of people. There are people who were born with outstanding talents and abilities. There are people who acquired talents through education or their own efforts. In contrast, there are people who do not have such gifts or talents, but who try to look as if they do. It takes a lot of effort and special skills to accurately evaluate and distinguish these different types of people from a large number of people.

However, in Japan, there is an old saying that "a talented hawk hides its talons." This was an appeal to the public in the era when the cultural level of people was extremely low, so modesty was made to be a virtue. The trouble is that this thought is still highly regarded and emphasized. In other words, people who have excellent abilities are cautioned not to demonstrate such abilities, and those who don't demonstrate true abilities are highly regarded. I am having a difficult time understanding why this old saying has been conveyed as if it is convincing. If the person rarely demonstrates the abilities, we don't even know if the person actually has them. A person should be highly regarded only when his/her abilities are demonstrated and results are

delivered. A person should not be highly regarded while he/she is still hiding the talons.

Moreover, holding back on your true ability does not work in this era of speed when things are constantly advancing. Precious abilities will be a useless possession. I am thinking this old saying should be deported from Japan. Instead, I want to insist on "talented hawks do not hide their talons."

In other words, we need to express ourselves saying, "This is how I think." I want you to express yourself proudly – whether you are a hawk or a dove. I think there are kites or crows in addition to hawks and doves, and there is nothing wrong being a kite or a crow.

In this way, you can do a respectable job and feel your contribution to society only when you can completely understand and express your own individual qualities. Moreover, this strong confidence in your work will lead to your pride.

As long as we live, we will always be beset with various desires. We want to have money and pride. We want love. And we want to be healthy. In that sense, pursuing profit does not satisfy us completely. I am enjoying my life because I have a job that I am proud of. Thieves or swindlers obviously cannot be proud of their job, and thus have no fun.

Everybody is not a hawk. Kites and crows can also do some good depending on how they work. But that is possible only when we declare ourselves kites or crows. As long as we declare who we are, people should let us work in the way we can use our capabilities to the maximum.

In this world, there is nothing completely useless. Even rocks on the riverside become useful as concrete when they are mixed

with cement. However, a diamond could be treated as a piece of glass or a rock on the riverside if it follows the concept of “a talented hawk hides its talons” or “silence is golden,” and does not assert itself. Such a non-assertive diamond will end up being buried in concrete. That is asking a little too much if you want to receive a good evaluation while remaining silent.

In other words, it is a virtue in the present day to clearly express one’s opinions and to efficiently provide data which effectively makes one’s value understood.

What will happen if young people keep silent? You must know the answers based on what I have been saying so far. In the area of politics, for instance, if people keep silent and display no reactions, we will not be able to tell if it is good or bad. The same holds for a company. Good company management is possible only by listening to the opinions of employees.

A talented hawk not hiding its talons has a major positive impact in all senses.

## **Design Is a Symphony for The Eyes**

**1977**

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The book “Hoist Our Sails to take Advantage of Our Strengths” published in June 1977: An essay in which Mr. Honda talks about the relationship between design and trends.

We can say that it is the era of design because the relative merits of design now determine the life or death of the product. This is why, being an engineer, I still had extra special interests in and studied design. Especially when we consider the exporting of products, design becomes a compelling issue. When our products go out to foreign markets, the logo of the manufacturer

directly becomes the logo of Japan.

Copying other companies or imitating foreign products is not an issue of one manufacturer, but it is an issue of the credibility and dignity of all Japanese people. In contrast, if we come up with a unique and sophisticated design, it will lead to the pride of employees and naturally encourage them to work even harder.

Young people today do not follow the leader unless their sense of pride is satisfied. In order to earn the proactive support of young people, the company itself must pursue the justice and happiness of people. It is also important for products to have excellent value and integrity. I think that design is one of the important factors to accomplish such value and integrity.

Since I was a child, I loved drawing. I don't know if that is why, but I was interested in design more than a little. Unfortunately, however, I was hesitant to go in for design because I don't have a systemized artistic talent. However, after analyzing design thoroughly, I realized that I was mistaken. I realized that it is possible to pursue design without being an artist.

In short, design is one of those trendy things. A trend puts the most weight on the present time rather than the past or the future. Design simply needs to be suitable for the present. That means it works even if it is a random idea without fundamental training.

An art object is different on this point. It has a value which lasts long in history. It has to be something people can admire no matter when and where they see it. In contrast, design only needs to grasp and lead the feelings of people at that time. So, I thought I could do this. Once I am determined, I never do anything halfway. I thoroughly studied design.

At one time, I spent about 10 days in Nara and Kyoto taking an in-depth look at things there for automobile design. I surely found wonderful aesthetic value and weight in the sense that was used to design the shrines and temples in those shapes. However, if I take such raw features into the design of our new product, that is an anachronism. It is meaningless unless the essence of the historic design is extracted through the filter of the times and taken into the design of today. For example, the line which connects the eyebrow and nose of Buddhist statues is beautiful. As far as I know, even in foreign countries, I don't think there are other lines which bear comparison to that line. Some of you might remember the birth of our best-selling motorcycles, Dream and Benly which built the foundation of Honda. I designed the edge of the tank of the Dream while keeping the image of that line in my mind. Moreover, I designed a translucent kneepad trying to achieve a sense of softness. As for Benly, to achieve a friendly image for more people, I wanted to come up with a lighter design just like a private house, built in the style of a tea ceremony house, located at the foot of Rokko Mountain. Fortunately, these products became very popular and my effort paid off.

I think design has to be a symphony for our eyes. Individual positions must be designed one by one while maintaining a good overall balance. Having said that, if we worry too much about overall balance, there is a risk of making it a please-everyone design with no unique characteristics.

Disharmony is one element which could turn into harmony. A perfect human being is not interesting unless there is something missing. It is the design which lifts up the imperfect to something attractive or beautiful. In addition, true design means a design which perfectly satisfies the need for practicality.

Since I got into design, my life has become more enjoyable.

When I visit a friend's house, I observe every fixture and decorative object. When I ride any type of transportation, I think this window is nice-looking and that window is not, or check how a curtain is hung, and so on. Everything I see becomes an object of interest.

If every Japanese person becomes interested in design and learns the excitement of designing, workplaces and homes will be full of good designs and a stylish atmosphere, which will immeasurably make our everyday lives more cheerful and exciting.

## My Way of Seeing Things and My Way of Thinking

1982

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The August 1982 issue of the monthly newsletter of the Kumamoto Plant: From a speech delivered at the Administrative Reform Forum held July 16, 1982, at the Industrial and Cultural Hall in Tokyo. Mr. Honda lectured on how important it is to establish good human relationships with surrounding people in order to carry out jobs smoothly.

### **Human relations are most important. Memorizing can be done by a computer.**

Back in the day, we were told that those who memorize things are good kids and those who don't are bad kids. However, this is what they said in the old days. During the era when kids went to small private schools at temples, all they learned was reading, writing and abacus, and thus kids could memorize things.

How about now? In the current era of electronics, there is a limited amount of things we can memorize, even if we work on it for a lifetime. Though I make grand statements, in reality, I don't know anything. That's how hard it is.

For instance, in the old days, electricity only meant electricity to



turn on (electric lamps), a motor, and a magnet. It goes without saying that memorizing was possible. Today, what is in the field of electricity cannot be memorized in a lifetime. So, it is wrong to grade students by whether or not they memorized things. Do teachers know everything? I don't think so.

Of course, there was a time in the past when people had to memorize everything they were taught. Say we had to go to America or Europe in the era when transportation was not so convenient. It would take 50 days, thus, people had to know everything there to be taught. Students also had to memorize things accordingly. In other words, excellence in memorization was very important.

Now, computers have emerged and they will give us data simply at the push of one button. In this era, how much memorization is needed? Say there is something Americans know and I don't. Today, we live in an era where I can make a quick phone call and know the answer instantly – if the person I call is credible and likable as a person.

In this kind of era, I think, human relationships are the most important factor. As long as you have good relationships with others, you can obtain any kind of knowledge or information. It is foolish to teach students the same way as in the old days without knowing that time has shifted to the era of systems.

### **I want you to be more humanly**

I cannot help wanting to know things which advance everyday and do things others cannot do, instead of memorizing things. If I don't know something, I can ask young people. Why would I have to do something I am not good at?

However, what I want to emphasize here is I want you to be a likable and well-respected person who makes people think “I

will teach you because it is you.” As long as you have this, it is not a big deal if you did not graduate from college. I want you to be more humanly.

I would not say that I am humanly. But because I have worked as president of a company until recently, it works out well and I get answers as soon as I ask someone. It may be better if we know on our own, but I think it is the same if you ask someone for help or look at your notes. Such help was not acceptable in the era of memorization without computers. But now, getting help is OK. In fact, it is a wonderful thing that you have more people to cheat from. If parents could think this way, I think kids would be less pressured.

## Without Even Trying

1982

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“My Hands Talk,” a book published in May 1982: From the collection of essays in the book, “My Hands Talk,” published 9 years after Mr. Soichiro Honda resigned as CEO. Mr. Honda’s drawing was used as an illustration in the book. This essay “Without Even Trying” is the first essay in the book.

It is said that the type of person who has to immediately demonstrate their idea by making it into something tangible using their hands is called Homo Faber. This may be a strange expression, but this type of person can be described as a “person who thinks with their hands,” or a “person who makes things.”

This type of person is the diametric opposite of those who just talk but don’t act.

In fact, I am the kind of person who thinks both with my head and hand. I am hardly making any technological items anymore, but instead, I am doing very engineer-like drawings. They are not like drawings done by an artist. I use my paint brushes with

the same spirit I had when I was making things.

Back then, when I was involved in the development of motorcycles and automobiles, I valued theory in one sense, and proving in another sense.

We began designing a product based on one theory, but used every available means to achieve the best result until we got what we wanted.

Technology is a funny thing. In some cases, we smoothly got exactly what the theory tells us. In other cases, we got unexpected results due to minor process differences. If you do it long enough, you will have the hunch, "There is something," and you will want to go further to prove that. In that regard, once we begin working on a project, we end up doing all kinds of things saying, "If that doesn't work, try it this way." This is how we accumulated new and valuable experiences.

In fact, those who were willing to come along with me under these circumstances were the ones who had to go through difficult times. When our factory was still small and equipment was limited, those who assisted me under dim light shined a light on my hands and handed me various tools, just like a nurse who keeps handing surgical knives to a surgeon. Because I was working so intently, when I could not see well in the shadow of my hands, I hit the hands of an assistant with a tool such as a wrench.

I was working in a kill-or-be-killed situation; however, I did not mind that because I was burying myself in my work while feeling a sense of satisfaction as an engineer. However, the young people who were assisting me were getting hungry late at night, but there was no atmosphere which allowed them to say such a thing. I later heard that they almost wanted to cry.

Those people who worked hard to effectively mass-produce such products after I paved the way must have had a hard time as well. Just as I did, each employee made progress by thinking from their own viewpoint, while using their head to the fullest extent, and by executing their ideas. That led us to where we are today. We never gave up easily.

Words such as “That is impossible” or “It probably wouldn’t work” get blown off by one growl. “What are you saying without even trying?” Even for what appears to be impossible, possibility begins to emerge when we stick to it, by trying all kinds of different things.

## I Hated Mistakes

1982

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“My Hands Talk” published in May 1982: Mr. Honda looks back with regret at the days when he yelled at his subordinates.

Success is the 1% which is supported by 99% failure.

Because I often wrote this kind of thing (as a motto) when I was asked for an autograph, people might think I was generous with the mistakes of my subordinates during my days at Honda. That is not true at all.

Especially when we were working hard in a tough race against time, it brought truly costly consequences when our work was held up due to a small mistake during the development phase. With those who made these kinds of mistakes, I became furiously aggravated, no matter what their excuses were. To be honest with you, I hated those who made mistakes.

When that happened, I yelled at them in all seriousness, and on some occasions, my fist flew before my mouth. However, once

I cooled down a little bit, I quickly felt self-loathing. I thought, “I didn’t have to say that much. I am stupid,” and I was disgusted with myself. Those who made the mistake did not do it intentionally. It must have been a result of their sleepless efforts. Worse still, I was the one who put a big rush on them.

When I thought this way, I often suffered from remorse. After that, I wanted to bow in apology. However, I felt awkward, and thus somehow let a joke handle the situation. I created an atmosphere in which people could laugh, and with that I convinced myself that I had apologized to those who I yelled at. Those who got yelled at probably sensed my feelings and kindly worked in the same way as before, and we somehow forgot about it. I repeated this many times.

Now that I think about it, I appreciate that people followed me. People might have been sensing my sense of self-loathing and regret which I was feeling even after I went home.

## **The Constitution of a Company 1982**

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“My Hands Talk” published in May 1982: An essay in which Mr. Honda explains why he does not like imitating others.

I hate imitating other people. After the war, when amateur motorcycle racing began in Japan, some young people from Honda who loved racing more than eating began participating in some races. When I heard it, I decided to support them.

Back then, there were still dozens of motorcycle manufacturers. According to my observation, most of them were participating in races by building racers that completely imitated the engines of foreign makers such as Triumph or Adler. Therefore, they were faster, and we could not win so often at the beginning.

We had to go through tough times because I didn't want to imitate others, but instead build in our own way. However, taking the time to work hard and catch up with them led to the large gap in technological capability after we caught up. Because we chose to face difficulties from the beginning, it grew easier later. Those who choose the easy way of imitating will face tough times later. Even now, I think this is the important point for people in R&D. Once you imitate, then you imitate forever.

This is a serious problem for the constitution of a company. Becoming fixated on immediate performance, when a company starts developing the idea, even a little bit, to abandon originality based on one's own philosophy, the company begins taking a path to downfall and collapse.

As in the case of easy imitation, another danger a company can face is the tendency towards deception. An automobile, especially, has various elements as a product, and we have to be responsible for ensuring users' safety for a long time.

So, no matter how small or invisible it is, we must not deceive or cut corners. For example, if we obtain good numbers for fuel consumption rate only for those vehicles being tested for certification, that is deception. If the company lets it go, the constitution of the entire company and the constitution of each individual employee will begin to become irreparably harmed.

In order to stick to our originality and ingenuity and our policy of self-reliance, we must make persistent efforts. At the same time, in order to avoid being self-satisfied, we must have a solid philosophy.

One more thing which endangers a company's constitution is being too dependent on others. Taking technology for example, when you face a product failure or problem and when you think

it is a problem in the electrical area, you call in electrical engineers without even checking it and when they come, you play dumb about it.

We must carefully watch for this kind of tendency as fields of expertise continue to be segmented more in the future. This is an important thing which is related to how we hold responsibility and take pride in our own jobs.

## **Repairing The Customer's Heart 1982**

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"My Hands Talk" published in May 1982: An essay which describes the heart and essence of repairing.

When I was a teenager repairing automobiles, I learned for the first time through my job that in the auto repair business it was not good enough if I merely repaired automobiles. I noticed that there had to be a psychological factor.

It is normal that people who experienced car problems faced difficulties and became mad and upset before they came to or called the auto repair shop. The machine is broken, but the heart of the customer is also broken.

It was a time when there were less than a few thousand cars in Japan and people thought an automobile was an extremely sophisticated mechanism. Even when there was only a minor problem to me, the customer was worried to see a young kid under the age of 20 touching his car. I could clearly see such an expression of anxiety and suspicion.

When I finished repairs, simply saying, "It is repaired" was often not easily accepted. So, I thoroughly cleaned the car, and if there was any customer who tried to get in with dirt on their

shoes, I casually cautioned, "Sir, your car will get dirty." A small thoughtful act like this helped allay the customer's anxiety. It leads to trust like, "He sincerely treated my car well. He is a good guy. There should be no problem if this guy did the repair."

Moreover, even if the customer could not understand, I still explained the cause of the failure or trouble and what I did to repair it. When I finished repairing at the spot where the car had engine trouble and stopped, I explained what was wrong and how I fixed it, and gave my assurance that the car was OK. Customers, even those who didn't understand, got a sense of satisfaction.

Simply saying, "It is repaired" does not repair the heart of the customer even though the car is repaired. The important thing is how we can convince customers and give them peace of mind. After all, kindness in a professional sense comes down to convincing the customer.

When you set a time to visit a customer, you should be there on time. The customer is in trouble and waiting for you more than his/her loved one. Therefore, it is important to be there at the promised time. The trust which comes from their recognition of us being dependable is the first step in comforting the customer with a broken heart.

Today, there aren't big differences in auto repair techniques among engineers. This is an era in which we just need to replace the parts causing the problem. However, there are some people who earn trust from customers and those who don't. Such kindness becomes increasingly important as our society becomes increasingly inhospitable where the existence of human beings is not required in transactions of money and commodities.



This is what I tell young students at the Honda International Technical School, where I am involved as headmaster. "I want you to be a person who understands the feelings of others." That is the philosophy. Philosophy is not a difficult theory or a mere desk theory. For instance, it would be wonderful if you could, while working in the auto repair business, eliminate the person's anxiety or anger in addition to repairing that person's car. I want you to be a person who can utilize a living philosophy in the form of kindness.

I send out young people who graduate from the school in spring by telling this kind of story.

## Takeo Fujisawa

Nov. 10, 1910 : Born in Tokyo

Oct. 1949 : Joined Honda Motor Co., Ltd. as Managing Director

Apr. 1964 : Assumed the position of Executive Vice President

Oct. 1973 : Retired as Executive Vice President, assumed the position of Director and Supreme Advisor

Oct. 1983 : Retired as Director, became Supreme Advisor

Dec. 30, 1988 : Passed away at age 78





## Develop Multilateral Judgment 1954

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The April 1954 issue of the Shirako Plant monthly newsletter: In January of this year, over-the-counter trading of Honda stock began at the Tokyo Stock Exchange. In April, a payroll plan was established. Under such circumstances, Mr. Fujisawa wrote about the responsibilities of managers and what should be the basis for decision-making.

The reason why I remain in the position of Senior Managing Director is not only because I am used to doing this job but also because I take pride in it.

No matter what kind of achievements you had in the past, you are not justified to be in that position if you are not performing now and if you have no potential to make progress in the future. You should voluntarily leave the position. And you need to think about your situation and reflect on your conduct. If you do not reflect on your conduct, you will not advance yourself as a human being, and thus, your subordinates will never follow you. I am sure that some of you must have the experience of feeling lonely when you realized you are not loved by people and thus they do not act the way you want them to.

This happens because that person does not have a virtue and tries too much to use other people. You should treat your subordinates with a warm heart, with an open mind, with an idea that everybody has some kind of talent. These things come naturally as people get older; however, at Honda, I want you to know this as early as possible.

Being a young company, there may be various issues at our company. However, if you are going to be critical, it should not be someone else's opinion. Your criticism is worthless unless it comes out of yourself. We can say that the Honda Dream sold well because there were some changes during this year, and we were successful in staying ahead of the competition.

Can we make something perfect if we take as long as one year? You should not have a one-sided view of things. There are complex factors in the world, thus we need to develop the ability to view things and make judgments from a multilateral perspective.

Since the last fiscal year, we have been issuing a considerable number of due bills. As our company grows larger, that piece of paper means a huge trust. If we fail to honor these due bills, we lose public trust completely. We can expect to solve this issue by increasing production and cutting down unnecessary items.

There is no reason whatsoever for you to cower. Currently, the used Honda Dream is traded in the market for 120,000 yen. The price gap with brand new Dream is only 20,000 yen. The Mitsubishi Silver Pigeon, which costs 160,000 yen new (in 1952), is now being sold for 40,000 to 50,000 yen as used. So, you can have much confidence, but at the same time, I want you to work even harder to build outstanding products.

There are a lot of things that need to be done, and you must be thinking of a lot of things of your own. I am sure that you get confused sometimes. However, there is no better motivation in life than this. It is the greatest joy of human beings to communicate well in a horizontal direction, to complete jobs which others do not want to do, and to face challenges without reluctance.

## My Observation of Man-Chan 1954

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The February 1954 issue of the Shirako Plant monthly newsletter: Monthly salary system and guaranteed lifetime employment system were introduced a year earlier in August and November, respectively. In March this year, an employee savings plan system was established, and payroll plans were enacted in April. Man-chan who appears in this essay is Mr. Mankichi Takagi who was working in the prototype development section of Shirako Plant.

I enjoyed reading Mr. Chijiwa's beautifully and well written story titled "Four mysterious tales," which appeared in the third version of *Wakamono*. Reading it made me want to write, thus I picked up my own subject, which is "The Story about Man-chan."

This is a story about Man-chan Takagi, and it happened in 1952. We were working days and nights at Shirako plant in Saitama to install machines while fixing the old building and its roof. Everybody worked earnestly and in a focused manner. During the break time, we talked about our big dreams, and the place was filled with vitality. Is there this kind of wonderful and cheerful atmosphere in today's world? Before this steel-framed Shirako plant was built, there was a henhouse there, and about hundred chickens were squawking. And there were endless muddy roads. I met Man-chan for the first time in a time like that.

When I was in a meeting with the president, Man-chan came in slowly and heavily as usual, and started talking without reserve while still wearing his hat propped up on the back of his head. Man-chan said, "President. That is not working. That is not right." Then the president responded, "OK. We will do that." They were looking at each other. I somehow felt myself purified looking at them. That is where the Honda Way begins. It is not about courtesy or decoration such as taking off your hat. It is a world of person-to-person, not president-to-employee. I saw the passion just like two happy lovers would have, which would

only be there when two people live for the same goal and have the same dreams. I wished that this plant would be run in this way.

### **Man-chan has matured**

It has been two years since then, and many people have joined the company one after another. I was wishing to see more of the masculine friendliness in him, which comes from his casual way of talking. That tendency was developed more, and my wish came true. I was extremely pleased that Man-chan advanced himself one step forward from being a mere craftsman to a leader of people in just two years. When I heard that he got sick, I saw his X-ray pictures. I felt relieved when I heard that his doctor said it was still in the early stage and not so serious. They told me that he would recover in about a month. Man-chan took some rest, and fortunately, he recovered and came back. At the plant, it was time for us to start developing a prototype for the 1955 model of Dream, Who would take and complete this major role? In many senses, the 1954 models were a failure. Everybody was keenly aware that Honda Motor will face a turning point unless we make a perfect 1955 model. This is the lifeline of Honda Motor. Who would defend it? Because of this situation, Man-chan was drafted. However, I would like to make sure not to trouble him and make him sick again. There are 1,400 employees in Saitama. Let us work hard and carry out this job while having Man-chan oversee the big picture, but otherwise take it easy.

### **We need second and third Man-chan**

At Honda, there aren't so many who measure up to Man-chan. But everybody is young. Man-chan is still a human, and so are you. So, I am sure that there will be a second and third Man-chan. However, this prototype development section requires comprehensive skills. Therefore, it is necessary for you to keep moving from department to department, to master mechanical

engineering, assembly, final inspection, welding, casting, and so on. Of course, there is no question that we need people who remain in the same department and thoroughly master one line of work. There was nobody better than Man-chan for this job. At this company, everybody was paid on a monthly basis, not a daily basis. I was told that such a system would increase the number of absentees. I thought that people would not miss so much work at a company that they love. I am a little sad there are more absentees than I expected. I am sure there are some people who are sick. Moreover, if you are sick, no matter how long or how many years, and unlike other companies which cut payment to half or completely after six months, you will still get paid in full in accordance with our company rule. Judging based on the normal social conventions of Japan today, external people and even internal young people say, "Business does not work in such a way. Running a business is not so easy. It would be a mystery if a business worked in such a way."

### **To become a company where the mysterious becomes normal**

When we are really sick, we need more money. I want to make Honda a company which can pay to support people during a recovery, even for those who are not as famous as Man-chan, but who get sick due to overwork at the company.

We should critique and review ourselves, and then advance so that we can establish company rules which openly determine such a payment structure. In so doing, if we can create a company where we can work with peace of mind, that would be like piling up one mystery after another. Then we can be the first company in Japan which makes such mysteries normal.



# Deflation and The Motorcycle Industry

1954

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The November 1954 issue of the monthly company newsletter: In the same year that Honda began exporting Juno (a scooter that Honda began producing in November of the previous year), a number of motorcycle companies went bankrupt one after the other. With this essay, Mr. Fujisawa offered a pep talk to Honda employees to overcome this difficult situation.

It seemed that deflation was going to bottom out for now, however, the recent situation shows that it surfaced again. Takasago Steel Company, which has company capital of 600 million yen and is known as a sound company, entered the process of liquidating the company.

How about our industry?

Mitsui Seiki in Kitaokegawa, Saitama recently went bankrupt. (Mitsui Seiki was a major company known as one of the Mitsui group companies, which was manufacturing 4,500 units of three-wheelers named Orient per month.)

Apestar is a company which used to compete against earlier models of the Honda Dream; however, it was producing only 300 units, and finally surrendered.

Besides these companies, there are many other companies for which people are talking about possible bankruptcy.

We are in a situation where a series of bankruptcies of top-class scooter and motorcycle companies is inevitable. I think that the next five to six months will be the most critical period. There is nothing we can do about the collapse of those companies; however, when their inventory of products gets sold with slashed prices in volumes of 500 or 1000 units, we cannot avoid getting affected. Because customers do prefer less expensive products,

and obviously will hold back on purchases with the expectation of a price cut. No matter if the company has sound management or not, we have to anticipate a big impact. Therefore, we cannot be optimistic.

We must make proper judgments about the situation and survive while taking all available means.

I think we started taking appropriate measures earlier than other companies beginning around May of this year. We must grasp the customer's feelings, which change by the minute and make sure customers purchase our products.

What I remember from my days in the military is that when we are experiencing difficulties our enemy is also experiencing difficulties. Other companies will also struggle desperately because they do not want to go under either.

You, the 2500 associates of Honda! In fact, I very much respect that you stayed calm and expressed the right passion in the face of this situation.

Please devote your passion for our shared goal, which is to bring prosperity to this company. Toward this end, let's not get fixated on trivial things, but establish close horizontal connections, maintain friendship, respect, and trust, compensate for what others are missing, understand the work of others and help them solve their problem quickly. The factory should generate the best products at the lowest cost. Administration, sales, and accounting departments should work toward the perfect operation of the company.

Needless to say, we are never hoping that competitors go bankrupt; however this deflation is inevitable. We have to keep it in our minds that we have to protect our company on our own so

that we do not go bankrupt ourselves.

Fortunately, our company itself has much bright potential. So, all we have to do is solidify our iron-tight defenses to avoid being negatively impacted by this situation.

Let's come out of this strongly by highlighting our grand fighting spirit.

## **Creating Something from Nothing – What I Thought About Engines for Agricultural Equipment** **1955**

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The February 1955 issue of the monthly company newsletter: Honda's T-type general-purpose engine was introduced in December of the previous year (1954). This essay describes what is called "Hondaism" by explaining Honda's attitude toward development and production of this agricultural equipment engine. This is an excerpt from an essay in which Mr. Fujisawa clearly described what kind of company Honda is supposed to be.

We began producing agricultural equipment engines – Do we make this kind of engine because other Japanese companies don't? No! Many top-tier heavy industry companies in Japan, namely Yanmar, Kubota, Mitsubishi, Daihatsu and Nakajima, are producing agricultural equipment engines.

It is a well-known fact that these companies are producing more than the demand from farmers and competing in an advertising war using radio and newspapers. Honda is entering this. If it is already known that our product will sell and this will be a great business for us, then I have to say that top management of those top-tier heavy industry companies are not good at all.

These top-tier companies have excellent human resources in-

cluding those who are senior to our young Honda associates. Do the top management and excellent staff of the first-class companies think Honda's engines for agricultural equipment will not sell? Or do they not have the motivation to create new things? I guess it is hard for them to break away from conventional thinking and create something new. They develop a tendency to be just average and lose judgment about the main cause of things.

I assume that the sales channel and customers already have a fixed relationship in the agricultural equipment engine industry, and there would be no place for a young company like Honda to come in. That is why top-tier companies do not focus on developing new products. They do not think new products will sell. So, they must judge that the farm engine business has already peaked out.

If so, and if we think this business is not good, there is no place for us to come in. In other words, we have to say this is "nothing" because there is no potential in this business. If we view this business as "nothing" and decide not to do it, then it remains as "nothing" forever. So, no new business or companies will emerge here.

If we determine that there is no place for us to come in, the industry will stop growing. And we will become a company which only mimics what other people or companies have done. So, if the common sense that I just described is right, nothing will ever come out of Honda.

If we determine it is not possible to create something out of nothing, our thought is the same as the decision made by those top-tier heavy industry companies that I mentioned earlier. However, Honda dared to begin production of agricultural equipment engines – in order to create something out of noth-

ing. And in the future, Honda will shine brilliantly in the area of agricultural equipment engines.

## Thank You

**1955**

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The April 1955 issue of the Shirako Plant monthly newsletter: Dealers within Honda's sales network started taking more initiative in sales promotion and service activities of their own. In this essay, Mr. Fujisawa provided a good example of how a dealer's sincere service touched the hearts of customers.

When I took a trip to Kyushu recently, I visited Michizane Sugawara's Dazaifu shrine because I heard its plum trees were blooming. The red shrine was pure and beautiful. It seemed that there would be a flower exhibition, and people from the local community were busy unloading things and decorating the hall. In the crowd looking at the scene, there was a man who wore the cap of one of our dealers in the Kyushu area. I thought he was buying some time before going home after spending the night out, because it was around 9:30am. I catch on to this kind of things well.

I introduced myself and asked a big favor, "I am here for the first time. Will you show me around?" He kindly agreed and explained things to me. Later, I heard at the Honda branch that the cap he had on was distributed to customers who purchased the Juno. So, he was not a person related to our dealer. I was amazed by the fact that customers are willing to wear the cap – which is a part of the dealer uniform. So I asked about it and learned that this dealer is excellent. I heard that people greet each other by raising a hand when they see someone in distance wearing the hat, even if they don't know each other. And this happens quite often in the city area of Fukuoka. The guys at the Honda office took turns telling me about the hat.

The story goes as follows. The owner of this dealer moved his store from Saga prefecture last April, thus he was not familiar with this place. Juno, which they worked to sell here, earned a notorious reputation for a series of failures. There was an upset customer who brought back a brand new Juno he bought and said he would display it in front of the dealer with a sign for sale for 50,000 yen. So, the hardship the staff at the dealer experienced was indeed extraordinary. In this environment, the dealer took an overnight driving trip with about 40 customers. That night, customers frankly discussed what they were thinking and expressed their disgust while drinking. They discussed what's wrong with their vehicles and said that it was a disgrace for Honda to have such bad vehicles. It was a very embarrassing situation.

The next morning, customers left the inn and came to their vehicles. You know what? They found newly washed clean vehicles! When they started the engine, they found that the failures, which they were complaining about the night before, were suddenly fixed. The owner of the dealership and his staff had red eyes, which speaks to their work through the night.

When dealer staff greeted their customers next morning, the customers looked at each other. One of them, a restaurant owner, suggested, "I am speechless. To commemorate this day, we would like to come up with some resolutions which support the success of this store." Another responded by saying, "Today, I learned how to do business. We have to thank them." This is how the Juno Friends was formed, and the hat was the by-product of it. The trouble turned out to be a blessing in disguise. Members of the Juno Friends are introducing new customers one after another, and, thus, this dealer is expanding its base of customers.

I am very grateful. The same incident can be either a negative

factor which darkens the future, or it may shine a bright light for us to find the road to prosperity.

I was thinking that when a person is driven into a corner, a man's true self will appear. So, I expressed my sincere appreciation and said, "Thank you," in my heart.

## After Participating in a S.P.B. (Sales Promotion Bureau) Seminar 1955

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The September 1955 issue of the monthly company newsletter: in September of this year, Honda became the largest motorcycle company in Japan in production volume. (Japan was the fifth largest in the world). A little before achieving this benchmark, Mr. Fujisawa participated in a S.P.B. (Sales Promotion Bureau = conference of direct sales training instructors) seminar and then reviewed Honda's three principles.

### Three principles of our company

1. The Joy of Producing\* (manufacturer)
2. The Joy of Selling (distributors, retailers)
3. The Joy of Buying (customers)

*[\* In 1998, the expression "the joy of producing" was adjusted to "the joy of creating." For this original discussion by Mr. Fujisawa, the original phrase "the joy of producing" is retained.]*

Three principles of our company have been this way. But I realized this is a big mistake.

We have to change the order, otherwise the company will fail. We must put the joy of our customers first. The joy of selling only exists when the joy of customers exists. The joy of producing is a reward for providing the first two joys. This is the right order. I would like to talk based on this perspective.

## **The Joy of Buying**

Things which make customers happy are called “products.” Making “products” is the obligation and responsibility of every person who works at a Honda plant.

“Even if tremendous manpower is used for manufacturing, the manufactured goods are not necessarily products.” This is a phrase we should well examine. For a long time, the military had manufacturers build things based exactly on given blueprints. When such items were delivered, the military paid for them. In other words, they were kindly accepting such goods as “products.” This became a habit and it is still there among Japanese factories and those who work there.

What comes out of a factory must always be “products.” Otherwise it is like we are working hard to ruin positive reputations established to date, decay our company, and lose jobs in the future.

As you know, other companies are also striving to produce “products” over the last few years. The only requirements for a company to exist are customer satisfaction and trust. In addition, it is obvious that excellent manufactured goods are not necessarily excellent “products” if the costs are too high.

At Honda, each workplace has been requested to seriously study how they can do things better. Now, as one of the ways to combine and integrate such efforts for implementation, I would like to ask our board members, general managers and managers to take time, even if they are busy, to participate in a M.T.P. (Management Training Program) for five days or so and to study ardently.

Linked with currently offered T.W.I. (Training Within Industry for Supervisors), in which all Assistant Managers and group leaders



will continue to participate, M.T.P. will provide training based on group thinking from the big picture, which enables each person to abandon their turf or ego. This training will enable managers to draw opinions from his/her subordinates and to build the foundation to determine major directions at the plant. So, please accomplish the creation of products by advancing technologies at the same time.

### **The Joy of Selling**

Unless Honda pursues sales activities which ensure the prosperity of retailers and dealers, this joy of selling will lose passion, and retailers and distributors will begin putting their efforts into selling products of other companies.

The value and utility of products are determined by the personality of the manufacturer. When retailers find a trustworthy character in the manufacturer, they invest their resources with a sense of security and place their future and hope in the maker.

Distrust or insecure feelings toward a manufacturer's character make retailers question the stability of their business. When the manufacturer is too self-centered, retailers also act selfishly and implement the "art of self-protection."

Our sales team must develop measures to perpetuate our dealers' joy of selling and be absolutely responsible for such measures.

Each associate in the areas of advertising, sales, parts, and service must take responsibility to always play the role of 'radar' which detects customers' complaints or wishes, and then represent the customers by providing a complete report of such complaints and wishes to the factory. Without doing so, we cannot create any products.

The S.P.B. seminar I attended conveyed various hints on this point. Associates in the fields of sales and advertising need to take this 10-day intensive seminar.

With group thinking, I want you to strive to create a style of sales which is appropriate for Honda.

## **Conclusion**

Neither M.T.P. nor S.P.B. will bring immediate miracles like a wizard. However, they are in the right direction we have to take. Issues will be solved by our efforts to implement what we learn from these seminars.

Inside Honda, it is acceptable that Honda is an incomplete company due to the fact it has not been so long since the company was established. However, outside people are very critical, to the point where it is almost too harsh. But we cannot deny this. We should not think, "It is not my problem. Somebody else or the company is responsible for this." Instead, we must know that each of us has to work in cooperation to protect our company, otherwise, we will lose. If we ever get defeated or overcome by other companies and go to ruin, it is going to be just like the famous haiku poetry of Matsuo Basho which goes "All that remains. Of brave soldiers' dreams."

No matter if we have the world's best machine tools and outstanding personnel. And no matter how excellent the designs of Dream or Benly are. If we cannot turn these manufactured goods into "products", regrets will never allow us to turn back the clock.

"I have a lot to learn" – this is my biggest lesson or what I keenly felt after this seminar. I would like to share this with all Honda associates immediately.

## For Coming of Age Day

1956

The January 1956 issue of the monthly company newsletter: Honda's company principle was determined in January of this year. After the fifth increase, the amount of company capital reached 120 million yen. 264 Honda associates celebrated the Coming of Age Day (national holiday for all 20 year olds) this year. In his congratulatory message, Mr. Fujisawa celebrated Honda's youth and related the future of both young people and Honda to the coming-of-age celebration.

264 of you will celebrate in the Coming of Age day. I would offer my sincere congratulations to you. You are the symbol of our youth and representatives of growing Honda.

I would like to give some congratulatory messages as well as some words of encouragement to you who enter adult society. But I have no intention of giving a preaching to you on rights and duties – I am not even qualified to give such a lecture. I always think your joys or wishes are the joys and wishes of all of us. And I would like to take this opportunity to express my sincerity to you, representing company management.

I have lived a half a century – through the Meiji, Taisho and Showa eras – but it was a series of rapid changes. During that time, I had enough rise and fall experiences of the harsh reality of life that pierced me to the bone, and I learned how difficult it is to set a goal and stick with it.

However, the era to come, or the society that you young people are going to experience in the future must be incomparably more tumultuous than my era. Whether we like it or not, we will be swept away into the vortex of change which will occur with fierce speed, so that the next five or ten years will probably be equivalent to 50 or 100 years in the past.

Whether it is good or bad, that is your and our fate. For those of us who will live and place all hopes and dreams in the fu-

ture, how we handle the new era is the issue. In other words, wouldn't this be the goal of your lifetime?

Thus far in history, social progress relies largely on the technological advancement of the manufacturing industry. As we come to a new stage called automation, we must seriously rethink how we are supposed to act as a person working for a manufacturing company.

Under these circumstances, we must increase our learning speed; however, even though the speed of time has increased, the speed of individual growth would not change so much. No matter how hard you work, it takes some time to earn the knowledge, sophistication, and skills necessary to be considered as a member of society. However, in this hard world in which we live, you will not be given enough time to learn, which results in us running counter to the times. When this confusion is reflected in the inconsistency and anxiety in society and when it appears in the form of your impatience or rebellion, the public will not speak highly of you guys. People might say that young people are restless, have shallow knowledge, lack a sense of responsibility, rush to a success, focus too much on money, and so on. I think most of these could be the responsibility of the society, but could never be your fault.

Having said that, I keenly feel that it is a pleasure and the most important mission of those in management to make Honda not only a place for you young people to make a good living, but also a stepping stone for your hopes and springboard to your future. I want to establish an environment and organization where you can learn without time pressures, develop skills as a professional worker, and obtain enough sophistication as an admirable adult. Obviously, your effort is the most important factor; however, I want to make Honda a work place which will let your efforts bear fruit without being wasted.

This will be the appropriate gift for Coming of Age Day; however, in reality, it seems that we are still some distance from satisfying you all because each of you has different characters, purposes, and life styles. But I want to make sure that each individual can exploit their unique attributes, is given fair opportunities, and that their efforts are fairly compensated. For example, for those who are good at developing plans but not so good at implementing such plans, we should foster their potential to serve as good planning or management personnel. Moreover, for those who are not qualified as a manager, but love machines and have excellence in technological skills, we make sure that they have opportunities to become a highly regarded engineer. Both of these characters are necessary for the company, and I think they are treated equally regardless of the job description.

In short, to make sure of the capability of each person, regardless of job types, to be evaluated more fairly than now, I have the intention to push through reforms of organization and rules, and any other necessary improvements. However, this requires the understanding and cooperation of everyone and carefully developed plans by managers in each section, therefore it inevitably will take some time. And we will welcome proactive suggestions and opinions even if they are small matters. Such suggestions and opinions will be well considered for future planning and will be important guidance for us. I strongly believe that if we do not get mesmerized by, afraid of, or underestimate dramatic changes in society, and if we maintain our steady pace, and exhaust the best efforts based on mutual trust, a brilliant future will be in our path.

# All Things Change

1956

The April 1956 issue of the monthly company newsletter: Relating to his favorite words, "All things change," Mr. Fujisawa shared his thoughts on what would be necessary for the eternity of a company. In January this year, the Honda Company Principle was determined and the fifth capital increase was carried out. In March, the one year product warranty service was introduced.

As I think that the universal law of change may someday apply to Honda, I am now thinking what we should do in order to enjoy everlasting prosperity. Some major companies, for which no one including themselves considered any possibility of collapsing, fell behind in the intensified competition among companies. Companies known for solid management were no exception.

Even for those companies with great facilities, excellent personnel, and a large amount of capital, nobody can say for sure that such companies will not follow the same fate as the Great Wall of China.

What will let Honda enjoy everlasting prosperity? We can never stabilize ourselves when we rely on materials or money while hoping others will solve the problem for us. I think the most important thing is for each of us to be well aware of advancement happening in the world and work hard to advance ourselves with no delay.

# A Warning Not to Become Overconfident

1958

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The January 1958 issue of the monthly company newsletter: In the year prior to this, Honda carried out its sixth capital increase and increased its capital to 360 million yen. In December 1957, Honda listed its stocks on the Tokyo Stock Exchange. This is an excerpt from “Listening to the thoughts of the Senior Managing Director” which was posted in the New Year’s issue of the monthly company newsletter.

## Sales and profit

Despite large sales, our profit margin is low. It would be strange if we have a large profit under current conditions. We are in a stage where we should think more seriously of ways to reduce our costs. In other words, if we can reduce our costs, the future of this company will be safe.

I would like you and also your family members to be aware of this fact. We can earn profit anytime once we become a good company – this is my belief. Therefore, it is important for us to become such a company.

However, I want you all to be careful with this one point. This is the same for the case of an individual. When a person obtains, by accidental luck, a large amount of money, which he/she does not deserve for his/her efforts or wisdom, the person tends to be overconfident of their abilities.

Older people must know one or two cases where a person who got undeserved money became unhappy in the long term.

The same can be said about companies. No matter if it’s an individual or a company – because a company is a group of individuals to begin with – we cannot advance unless we understand this point well and avoid thinking too much of ourselves, and have a humble mind which enables us to think it was just a

combination of good luck.

People often cannot think this way. Some companies that appeared in business magazines getting praised for excellence in bookkeeping have become a mere shadow of what they used to be or even disappeared because they overestimated themselves and stopped learning lessons due to large profits. We should not merely observe this reality, but draw a lesson from it.

**No matter how great the achievements were in the past**

No matter how great the success a person had in the past, if the person is not playing a vital role today and in the future, the person should not be a leader.

This is a cardinal rule of a company to ensure happiness for all.

For those in the position of leadership – it doesn't matter if they are company president or managing director – no matter how much they are contributing to the company, they are bad if they are looking back at the past too much. This is important.



# How Society Evaluates Our Company

1959

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The February 1959 issue of the monthly company newsletter: Honda listed its stock on the Tokyo Stock Exchange in 1957, as well as on the Osaka and Nagoya Stock Exchanges in 1958. However, Honda was not yet recognized as a top-tier company by the general public. Mr. Fujisawa responded to questions from the associates.

(Question from an associate)

*About Nikkei's high-potential stocks: You told us at the beginning of this year that our company has not yet received recognition as a top-tier company and you are not satisfied with that....*

You asked how society is looking at the operation of our company – a 100-meter dash or a marathon. We definitely do not view it as a 100-meter dash. However, because we ran fast during a short period of time, if people see Honda as a company which attracts short-term interest, we may have such an aspect in us.

What we must think most is that we have to be able to receive the same level of recognition even without Soichiro Honda. Even if there is no Soichiro Honda, the long-term value of our company must be built up by all of us.

In this sense, we may have to say that the public knows more than we think they do.

We must see the growth potential of Honda Motor Co., from the long term, unless everybody grows to the point where we can say that we strip off Soichiro Honda little by little, and five years or ten years later, we are OK to have zero Soichiro Honda.

Then what is the reality? I am sure that we are going toward that direction.

The most important factor in composing people is to make the most of what each person has. We cannot be sure of achieving excellent results even if we gather Tokyo University graduates.

When Mr. Kishi (Japanese Prime Minister of that time) formed his cabinet, he appointed ministers based on the name of the university and the year of graduation. It must be difficult to conquer this tradition. Once a person joins the ruling class, he begins to think it is his destiny to use other people. Then the person loses attractiveness as a human being, and then idealism is alone remaining.

If we can operate our company in such a way as to highlight attractiveness of human beings, there should be more and more Soichiro Honda-like people.

## How Our Research Center Should Be

1960

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The June 1960 issue of the monthly company newsletter: An excerpt from Mr. Fujisawa's statement summarizing the idea of establishing an independent research center, which was beginning to form a consensus within the company. The statement was made at the annual management study meeting attended by all managers.

### **The driving force for growth is 99% perfect original drawings**

There are two major ways of life for a company.

One is to produce based on given orders. It becomes obvious if you recall how Japanese industries were during the war. They lived by producing products based exactly on the blueprints given by the Japanese military. Companies of this type do not produce products based on their own drawings. Original drawings

are always given by outsiders.

For these companies, the source of life is obviously the original drawings given by those who place orders. This means their lives are threatened by something they cannot be responsible for. In other words, their way of life is reliant upon others.

In contrast, the second way of life is obviously to create products based on one's own drawings. At least in the consumer products industry, companies should produce products which are the result of their own research efforts. For this group of companies, the source of life is the original drawings which they create on their own.

In comparison to the former group, companies in the latter group must be fully responsible for their own rise and fall. Their way of life is completely self-reliant.

Reliance on others and self-reliance – the difference seems obvious. However, unless we clearly understand the basic differences between these two, we may take the completely wrong direction.

We shall never forget that it is the original drawings which become the breaking point which separates a company's way of life, and always lie there at the root as the driving force to determine the ups and downs of the company.

In addition, we should not forget that we belong to the latter group.

### **To be an industry that lives with the times**

There is another issue.

Companies which produce based on orders received from

others may have no choice; however, those who produce consumer products also live, more or less, the way the former group does.

Isn't this happening because the basic differences between the two groups are confused? Isn't there something like inertia which was developed within the Japanese industry as a whole grew by taking orders from others?

At least we should not forget that we are a business which lives with the times.

If it is our mission to establish production methods which go along with the times and produce good products at lower costs, it is obvious that we must proactively seek out what such products can be.

How does each company solve this issue?

For example, some companies conduct market research to identify what is selling the most and produce such me-too products. Or they will make such products by purchasing patents from foreign companies. What does this mean?

Companies that purchase foreign patents are not so different from those that conduct market research because they are purchasing those patents based on the fact the product is selling well overseas, and this is public knowledge.

Ironically, this is an easy and, in some cases, safe path to take.

Purchasing patents is easy to explain at the board meeting and to convince employees of because you can say how much you will pay for the patents and how you can pay it off once they are brought to Japan.

Meanwhile, what those foreign companies, which made money charging high patent fees, are doing is to pay high salaries for their researchers and further advance their research. What should we think about this?

What I mean by a company which walks with the times is a company which is always a pioneer of the new age. I do not mean a company which follows the times. Relying on market research itself means falling behind the times.

So many companies live in a way similar to those taking orders from others, and so many are getting disconcerted facing the new era so suddenly. Doesn't this mean that such companies are forgetting the fact that 99% of their driving force toward growth lies with the original drawings as well as an attitude to protect this lifeline on their own?

## **Let's Not Yank Out Our Sycamine Roots** **1961**

*[Note: silkworms eat only the leaves of a sycamine plant in order to make silk.]*

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The April 1961 issue of the monthly company newsletter: 3-wheeled motor vehicles had been at the peak of popularity since a few years earlier. Pressure from dealers asking Honda to develop three-wheelers was increasing. Mr. Fujisawa responded to the dealers' request at a National Honda meeting. The trend started shifting from three-wheelers to 4-wheeled mini vehicles.

### **What makes modern industry work?**

Long ago, there was a thing called grease paper. It is said that it was in the 7<sup>th</sup> year of the Meiji era (1874) when a grease paper maker started putting hemp string in the paper. As a result, the grease paper became very durable.

You may not know this. Most people now use plastic, thus nobody uses grease paper anymore. This grease paper came in handy during the Seinan War in Japan in the 10<sup>th</sup> year of the Meiji era (1877). The soldiers of the government force – I thought it is not exactly right to call it the government force – anyway, the troops that were attacking Takamori Saigo – carried grease paper on their back. They did not get wet because they wore grease paper when it rained. Until then, there was nothing to cover soldiers who got wet from night dew while sleeping. In present times, there are awnings or other things, but back then, grease paper was a great discovery. The person who invented grease paper enjoyed prosperity after this Seinan War in 1877, and became a large conglomerate by the time of the Russo-Japanese War.

So, it seemed the grease paper business would continue enjoying prosperity forever. Unfortunately, times changed. However, the second and third generation business owners were fixated on the business their ancestor started. So when the time shifted to the era of plastic, their business was wiped out. This is the reason nobody now knows grease paper with hemp strings.

Did the grease paper business have no value as a business in the Meiji era? No. They absolutely had value as a business. They were blind and did not see the process of advancement back then. The most important thing is to know if the position we are in and the direction we are moving toward are right or wrong. Therefore, the first priority should not be whether or not we are enjoying prosperity at this moment.

If we take a look back at the number of units produced at Honda, production during the first four years, from 1948 to 1952, would be an invisible thin line on the current production chart. With such small annual production, nobody back then thought there would be so much demand for motorcycles. However, we

continued to build up for three years, and five years, and then we continued moving forward with confidence toward the future potential of this business.

Obviously, there were many other better businesses back then. Profitable businesses such as sugar or cement, I knew I could build a company if I made those items. However, modern industry does not work this way. We need to ponder what people will want in the future and work toward it.

### **Let's not yank out our sycamine roots**

On the way back from Germany – I think it was New Year's 1957 – I sat with the principal of a sericulture school in Nagano. He said he sold a silk reeling machine to Italy, which reels raw silk from silkworm cocoons, and he went there to give instructions. I asked if Italy had a flourishing sericulture. He said sericulture was very popular in Italy and France, and farmers grew silkworms. So, I asked how silkworms were raised. He said it was just like how we do it in Japan. Where would the silk be sold? Most of what was made in Italy went to the Soviet Union. That means it was sold to wealthy Soviet people. He said that Soviets were the largest customer for France, too. So, I asked him if the silk business would continue to grow. He said it would grow very much.

However, in the following year, that is 1958, the price of silk took a great dive in Japan. The silk price has continued going down. Thus, the Japanese government purchased silkworm cocoons with public funds. Warehouses became full of cocoons. And funds to purchase cocoons started running out, then the Ministry of Agriculture and Forestry started saying that they could not take care of the sericulture business anymore and silk had no potential. Newspapers, including major ones, went for the tone that the time for sericulture and silk was over and it was time for chemical fiber products.

With the current climate of opinion, it is natural for the general public to believe what the Ministry says or writes. So, farmers yanked out all of their sycamine by the roots, which they had for several decades. Because it became worthless to grow silkworms, they tore the sycamine out of the soil to plant something else.

In 1960, however, silk became in short supply globally. But it was too late. Those farmers could not grow silkworms because their sycamine roots had already been yanked out a while ago.

I told this story at the Honda meeting. I said that if we are sincerely making a life-long commitment to our business, we should not pull our sycamine roots out needlessly.

If you think, on your own, that the motorcycle business is not good, that is OK. However, it is absolutely out of the question if you feel the need to change our business so quickly only because others say the three-wheeler is hot and we should not miss out. Of course, it is easier to sell three-wheelers than one motorcycle because the three-wheeler is in a transient boom. If we follow the boom only because it is easier than selling Dream or Benly we have to question the purpose of our business and our life. If you believe that the motorcycle business has no chance, you should go. You should quit altogether. If you are going to do motorcycle as on-the-side job, it is the same as tearing sycamine roots out of the soil.

I told them we should not yank out sycamine roots unless you are convinced from deep in your heart, not because somebody said so.

It has been a year since then. And what happened? Three-wheeled mini vehicles which originally cost more than 200,000 yen have become 20,000 yen or 30,000 yen after being used



for one year. The price for the Honda Dream after being used for one year is somewhere between 70,000 to 80,000 yen. Even Benly, which was used for one year is more expensive than a one-year-old three-wheeler. This fact provides a hint about the future of three-wheelers.

So, even now, when I see people from our dealers, they say, "Mr. Senior Managing Director, we are glad we did not yank our sycamine roots out." It worked out great for Honda as well. I don't think we could sell Dream or Benly like we did last year, if those dealers had pulled their sycamine roots out and went to other makers one after another.

So, we must grasp the essence of things. And once we think it is right and good, we eliminate any doubt and never let go. If we do so, when someone asks us about our future, we should be able to say we are going to be fine.

Because we are Honda, people who worked hard together to make our motorcycle business grow to be number one in the world, and we should stay with it to the end. I think It is important to clearly grasp the world's movements and hold the current line.

## To Create Something New by Combining Different Things

1961

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The September 1961 issue of the monthly company newsletter: Honda experienced a slight decline in sales and initiated a production adjustment in spring of this year. At a round-table meeting held in this kind of year, Mr. Fujisawa talks about his impressions from a visit to the Disneyland.

For example, a factory layout will not be dynamic if each person focuses only on their own area. It becomes dynamic when people think together. So, nothing great will emerge if you determine your own territory and get stuck in it. It is not a modern way. It may have worked in the past, but now there has to be something new when one's territory is combined with that of others. For example, when you built a house, in the past, if you picked the color of the carpet, something else that went with it would be necessary. If they are not combined, no matter how good each factor is – e.g. excellent skills of carpenters or wonderful material of carpet – they do not go together. In modern days, if you decide to install a carpet, the question becomes who will think of the relationship between the carpet and lumber. Similarly, within a company organization, I think the attitude to focus solely on one's role within the department is not good. Such sectionalism will prevent a company from growing, because cross-sectional connections are necessary for growth.

I believe that it is absolutely necessary to create new things by combining different things which do not belong to any one person's work responsibility.

# To Become a Company Which Has The Power of The Prime Years of Life

1963

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The December 1963 issue of the monthly newsletter of the former Wako Plant: Mr. Fujisawa's words at a meeting held in November where results of research conducted under the theme of "elimination of waste and proactive adoption of new models" were reported. In this year, Honda's annual exports exceeded 10 billion yen.

Churchill said in a book he wrote looking back at World War II that young people prefer innovation, middle-aged people ask for compromise, and old people become conservative. Compromise means taking one step at a time to add innovations to existing things, to create new things, and to go even further. People become more conservative in their later years, and no matter how good they were in the past, they get stagnated.

If I apply this to business, a company can be in the prime of its life only when these two stages – innovation and compromise – are combined. A company can have this power of the prime as long as it repeats these stages while having fresh blood come in all the time.

In short, it is important to move on to the next stage while building new things on established things including decision-making capability and wisdom. Without this, no matter how great your imaginations, they are worthless if they are out of touch with reality. There is a lot of good stuff among what we have accumulated to date. If we deny what we have done in the past at Honda, or if we hire 7,000 associates completely different from current Honda associates, the company will have absolutely no value, even if we keep the same equipment, facilities, and other assets. What we have done so far has very high value. If we build on that, we make no mistake. If we only value what we have done in the past, we cannot face the challenges of the real world.

# We Have Gained a Solid Foundation

1964

The March 1964 issue of the monthly company newsletter: An excerpt from "Leap toward the bright future," in which Mr. Fujisawa revisits the previous year and talks about his perspective for the coming year. In April this year, Mr. Fujisawa became the vice president. In May, a major organizational change was carried out introducing executive offices and a group leader system. In August, Honda made its F1 debut.

## Finding an additional 20% capacity

Last year, team leaders and their fellow members at Saitama Factory reported wonderful results from their study efforts.

At first glance, we thought our current production activities were perfectly arranged so that they are operated to the fullest extent every minute with no additional capacity available. However, they dredged up 20% additional capacity from there. They reviewed their workplace from the very bottom and seriously worked on details without allowing any small waste, and piled up small amounts of excess capacity one by one.

In most cases, people feel pressured by the work given to them, thus it is difficult to find motivation to dig deeper into their jobs. However, the study results that came out since last year showed that they were doing it voluntarily.

This is very precious. It is not something people can pull out from any theories or foreign literature; rather, it is something they could find through their own solid thinking.

Through such efforts, Saitama is about to complete its preparation to introduce the next product into the factory. And, for example, Dream experiences fluctuations in production volume. By filling the low points in these fluctuations with the new product, we can make it more flat and stable. Based on this concept,

the preparation to fill in the low points is being accomplished on a scale of 20% more capacity.

In many cases, large companies are like a net with large mesh through which things run through; however, our case is like a net completely filled with tiny mesh.

Just like Saitama, I heard Hamamatsu and Suzuka are also re-viewing their operations from different angles. I am very much looking forward to the meeting in February where I can hear the results.

If I am allowed to wish so much, I thought it would have been even more wonderful if this kind of great study was done during the reduced production period.

A company does not grow in a straight line at a constant pace, rather it grows in waves. We may feel that we are not growing when the growth rate is lower than the peak time of the previous year. However, if the average growth rate of this year is 10% or 15% higher than the average of the previous year, we can say it is very much a growth industry.

Honda Motor has always been maintaining high growth potential.

On the long way ahead of us, we will experience the bottoms of the waves. Especially when the company sinks to the bottom, we should trust each other and carry out this kind of study. If that is achieved, we can buy ourselves some time to prepare for the next leap.

Everybody is in a good mood during the time of increased production; however, once we face a downturn, people go pale. When we are at the bottom, people have slightly more time due

to less work. Taking advantage of such times, people should get together and be ready to act preemptively by freely exchanging ideas, having a vision of the future, and getting everything arranged, so that we can implement such ideas in one burst during the next period of increased production. I thought that if we had done that, we could have done something different during the increased production period in July and August last year.

### **Putting all available resource in the development of new products**

Last year, R&D put all available resources in the development of new products without participating in racing activities. However, we are about to see tremendous results from analysis based on participation in racing in the past and other research derived from that.

Our R&D is becoming a wonderful resource which is worth the capital employed.

From the latter half of this year and early next year, a large number of new products of Honda Motor will come out, and thus our production capacity would not be enough even during the winter season.

### **Completion of Honda's unique gear grinding machine**

The results of studies done by the production engineering plant were also wonderful. However, the most impressive thing that happened at the machine tool factory last year was the completion of a gear-cutting grinding machine, which had been a bottleneck and unsolvable issue in mass production of automobiles and other items.

A company in Switzerland called Reishauer has patents for gear grinding machines and produces outstanding machines. However, it takes more than two years after placing an order to actually

obtain their machines. We would have to put our production on hold for two years. So, the president came up with some ideas and the production engineering plant conducted research to complete this machine.

This gear grinding machine is the best of all tool machines, and all Japanese makers had become keen on developing it even during the war; however, it had not been completed to date.

The president of Reishauer was surprised that Honda made not a copy, but a new machine unique to Honda. It was not achieved overnight. This machine represents high-value resources accumulated at our machine tool factory.

In the near future, our production engineering plant will get into the stage where it can be independent as a global production engineering company.

We all have to realize that even if it is an extremely high level of demand, if necessary, our fellow colleagues will work to solve the issue, just like we saw in this case. It is not acceptable to casually think that somebody would do it for you. The future of Honda Motor relies on our ability to work together on our own to solve high-level issues, and not to bring this level down in order to make it easier to find solutions.

# Road to The Modern Industry 1966

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The November 1966 issue of the monthly company newsletter:  
An excerpt from the speech delivered at Hamamatsu Factory on  
Honda's anniversary day this year.

## **The future of Honda**

Honda may be viewed as a company going the long way around.

There are numerous cases in areas of technology and sales where such a view is right. A major investment in our production facilities is one such example.

There are some manufacturers which make money by manufacturing products without owning their own production facilities. However, mass production that is based on a large investment in facilities is the foundation of modern industry.

If companies continue mass-producing products, utilizing their own strengths, and offering products appropriate for the times, companies which will accomplish a dominant position in the world market will emerge. If we can become a top company in Japan, we can be a top company in the world as well. In other words, if the company does not win in Japan, the future of the company is not assured.

## **Appropriate ways for modern industry**

There must be appropriate ways to do things in the modern industry. Being the world's leading mass-production motorcycle maker that owns facilities with the latest technology, Honda must solve this issue before it becomes known to the public. Investments in facilities must be made efficiently and facilities must operate effectively. We cannot grow further with the same old facilities and the same old production patterns.



The guys at Honda must have brains and the ability to do this. I feel sorry that I did not tell them to think more of this kind of things. It is not a mass-production company if we merely produce a lot.

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Needless to say, in order to make mass-production possible, a corresponding level of sales must be achieved. The sales division must think and implement appropriate methods or measures.

Now, I have one thing I want to say to those of you at the factory. That is to prevent complaints about products when the sales team is working very hard to sell these automobiles. What I mean by complaints are very simple things. They are small things that we can avoid by doing things just a little differently. It is a small matter for us, but it is a serious issue for our customers. In Japan now, customers do not have to buy a car which attracts complaints.

In the U.S., motorcycle customer complaints cost us 500 million yen annually. Even if we ship replacement parts by air and provide service, customers are still angry. So we must always have replacement parts ready. This will require some capital expense.

For us, 500 million yen is a significant amount of money. This could cause us trouble in the future. It does not matter if we blame those involved in the inspection process or someone else, we all get impacted as a whole. Please do not forget that customer complaints will come down hard on all of us and make our rough road to the future even rougher.

As for the sales of automobiles, the total sales of all manufacturers went up in October, but unfortunately, Honda's sales went down. Sales increased a little initially when we offered a price cut, however, once we started to receive customer complaints,

dealers were discouraged.

This kind of thing is absolutely not acceptable for Honda in our current position. I want you to realize this is an important time for us. Honda is now facing the second turning point. This is the time for us to transform into company in the modern industry.

To be honest with you, I am hoping to distance ourselves from the second largest motorcycle maker starting sometime next year. Fortunately, our automobile business seems to be taking off, and business for agricultural equipment engines is expanding. So, I am hoping to gain a much better position in the world.

## **Respect for Human Emotions** 1967

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The January 1967 issue of the monthly company newsletter: The establishment of sales offices throughout Japan became a major turning point for Honda's sales. Detailed plans for the operation of the sales office were being discussed by a special planning group of the sales section. Mr. Fujisawa gave a lecture to the group in December 1966.

### **Perspective of object**

The users of the product and the manufacturer, and the dealers and the manufacturer – each have different relationships and positions. And each also has certain human emotions.

For us, it is easy to talk from a maker's perspective. However, we must know that it is important to see things from the standpoint of users and dealers.

Sales begins with grasping human emotions. To use the same word, we must know well enough who likes it and who doesn't. We need to be liked not because of money, status, or things we have.

There is a certain way of talking when a person gets money from customers. There is a joy to find that.

People often tell me that I convince them well. Is this only because of my status?

What I can say to you about this is “respect for human emotions.” – I convince people because I pay the utmost attention to this area.

People say that I yell or I talk in a bossy way. Why am I still convincing? I can affirm that it is because there is established respect for human emotions.

So, when a person who does not respect human emotions says things in a bossy way, it will be like a bullet which gets no response.

I think the primary purpose of establishing the sales office should be this.

## **Carry Our Own Torch**

**1967**

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The December 1967 record of the executive speech: In March of this year, the N360 mini car went on sale. In October, the automobile plant in Suzuka Factory began operating. The cumulative production of Super Cub reached 5 million units, and exports of motorcycles were going well. This essay explains the basis of our business conduct.

Honda is a company which carries the torch with our own hands. In the Japanese automobile industry, there are many who live as if following the torch light of others who walk ahead. We make our own torches, even if they become small ones, and hold them with our own hands. And we continue moving for-

ward even if there are some differences in the direction we take compared with others. This is Honda.

Our torch found a door to the broader world where we are now.

Toyota and Nissan hold big torches. What those torches illuminate must be good for those who walk in the front, but we don't know from back here if they are good for those who walk in the back. We cannot make judgment on when the torch light will be put out, and when the door will close before our noses.

I want to talk about exporting as an example. Honda produced 1.6 million units of motorcycles this year and exported 50% of that. Our motorcycle production, sales, and exports are dominant in the world, and our performance is far above the second position. This is a great contribution even from the perspective of the nation. The UK recently undertook the devaluation of the pound. The reason the UK had to do that is they are experiencing a difficult time due to an imbalance between exports and domestic consumption, in addition to a decrease in productivity. This is causing irreparable damage to the history of the UK. Japan has to think seriously about exporting. Otherwise, we will have to lose many things in the areas of the economy and culture when the yen-dollar exchange rate changes. In this sense as well, I am proud of the fact Honda is exporting 800,000 units of motorcycles because it has great meaning as a Japanese company.

The reason Honda can export this much is for no other reason than because we have been holding our own torch. In the past, there was a period of time when we allocated more products for export even while domestic dealers were experiencing a product shortage. Back then, we were told by our domestic dealers to provide them with more products as they always suf-

fered from a shortfall. However, we could not do so.

We had to allocate some products for export, even though we had to upset our dealers in the domestic market. I can tell you this now, but back then, our profit margin was smaller to export than to sell domestically. This was because our cost per unit was so high due to the small number of units being exported. However, we had to overcome this difficult period with one more push. So we exported while giving up profit we could have made domestically. There is a time for exporting. We cannot expect to build and sell good products in the same day. We need time and preparation.

While other domestic makers were making easy money in the domestic market, we had to sweat to export. As a result, we built paths to more than 100 countries worldwide. It was not easy at all. It was a very hard path we took. However, our efforts paid off. Japanese motorcycles – that is to say Honda's motorcycles – have earned recognition and the trust of people around the world. In three years or so, this trust became very solid. As a result, other Japanese motorcycle makers could export very easily without much effort, when new motorcycle buyers come to Japan and find Honda product are not available to them.

# Establishment of Each Part of The Company Elevates The Entire Organization

1968

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The July 1968 issue of the monthly company newsletter: An excerpt from an essay in which Mr. Fujisawa expressed his gratitude and thoughts on the fact that Honda's automobile business got on the right track and started to see daylight, as well as the establishment of a specialist system and completion of a sales structure.

Our product is indomitable. Let's work together to solve issues related to what we build by joining forces at Honda. Let's have Honda as a whole, including dealers, act in good faith and friendship. I think that we laid the necessary stepping stones to achieve these goals by April of this year. So, when we announced dedicated Honda dealers and surprised the owners of these dealerships, we established a sales network appropriate to sell what you created from all of your efforts. All we have to do is to enhance the organizational structure of the sales division. Sales, manufacturing, and research and development – none of them is inferior to the other. When I felt we had completed an organizational structure that elevates the entire company, and solved all of the issues, I felt very much exhausted. At this time, the executive office announced a qualification system, which I was wishing for the most. This completed the entire organizational structure.

I want to say one thing about this organizational structure. We say that a company is all about its people. But is company management offering such an organization where people can work to the fullest? It is a responsibility of management. So, before the establishment of this organization, I asked to look into the flat, Japanese paper weight style organizational structure used by R&D. Because I thought a mere pyramid-shape organization is not a good structure to enable people to work at their very best and the company to grow as a result.

## This Year's Face

1969

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The January 1969 issue of the monthly company newsletter: An excerpt from a New Year's greetings in which Mr. Fujisawa looked back at the previous year, in which Honda accounted for 80% of motorcycle exports, power products began generating a profit, and automobile business began increasing its profit with the N Series.

The initial stage is important. We will be in trouble if we do not deliver a heavy blow in the first year. If we fail to do so, it will take another several years until we get another chance. Strike while the iron is hot – and the product is hot while it is popular. Once its popularity cools down, it is difficult to accept no matter how good the product is. The we-will-complete-it-someday attitude is not acceptable. There is no other time to do it. It is a challenge to adversaries who we think absolutely strong and impregnable. No matter how much knowledge and effort are put in, we will never have too much of them.

An old Chinese book says that revolution is to break through yesterday's common sense and create a new one. This does not apply only to politics.

Toyota and Nissan are strong. It is the current common sense that others are not good. We are going to break through this common sense. We have maintained our international viewpoint and pursued originality. And thus we struggled much more than anybody else. Originality is the mother of revolution. No matter how successful they look, those who mimic others have no part in revolution.

If we can make people say that how we develop our products and how we sell them are unthinkable within today's common sense, it means we established a new common sense.

In the automobile industry, there is nobody but Honda who can do this.

## Turn The Potential Disaster to Our Advantage

1969

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Special issue of the company newsletter in 1969: An excerpt from Mr. Fujisawa's remarks at the first A-dealer meeting held in this year. The A-dealer system was implemented for dedicated Honda dealers.

A lot of things happened to Honda to date. More than once, we faced crisis situations where we could take a wrong turn and go bankrupt. I think it is our way of thinking which enabled us to turn such crises into opportunities and get good results.

For example, in September, some media made noise about the safety issue almost to a level unfair to us, and put us in disadvantaged situation for sales. In a situation like this, the future of the company will be determined by how we think. We can think to take this opportunity to capture our customers completely or we can get destabilized. There will always be ups and downs. Turning the potential disaster to our advantage is a matter of whether we have a strong belief or not. We revealed our fundamental strengths toward the end of September, and the N-Series maintained its leading position. I believe that the unbending beliefs of each of us lead to this result.

## Keeping Our Passion

1971

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The January 1971 issue of the monthly company newsletter: An essay written based on Mr. Fujisawa's experience. This essay was contributed to the New Year's issue of the company newsletter.

I want you to always remember that your passion toward work is what leads you to happiness. For an old man like me, the time to retire will come before long. Even after retirement, this will not change.

Even when the entire industry is experiencing a slump, if you



have passion in your heart, it will become a driving force which enables you to quickly take advantage of an opportunity.

## **What I Learned, What I Think** 1973

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A special edition of a newsletter for managers was issued in September 1973: Mr. Fujisawa expressed his intention to withdraw from the front line at the board meeting after the annual shareholders meeting held in October of the same year. Mr. Fujisawa shares his thoughts and feelings with associates in management/expert positions. Honda celebrated its 25<sup>th</sup> anniversary this year.

### **Everyone retires some day**

Many companies extend the mandatory retirement age. It must be because we can work healthier compared to the past and our average life expectancy has increased drastically.

A person cannot be called top management unless he can draw an infallible conclusion even after lacking sleep for three days or so. There is no problem in a time of peace. However, I know many cases where a mistake in judgment, which was made by an old body lacking endurance and in a crisis situation when management must make decisions, brought the company to ruin.

I thought it is my responsibility to have Honda associates who loved and thus joined this company to know who will be the group of successors and have enough time to observe them. So, from time to time, I took opportunities over the last five to six years to provide people chances to see those successors, though I did not express it by words or in the form of an essay.

I can imagine the future evolution as a man for Nobunaga who died at age 50, but not for Hideyoshi who lived to be old. I was

thinking of retiring at our 25<sup>th</sup> anniversary.

*[Note: Nobunaga and Hideyoshi were samurai leaders who struggled for control of Japan.]*

### **Lesson learned in 1954**

A man who can start a company exerts himself almost like a freak. Many employees become attracted by such masculine charm and follow him while offering their knowledge, intelligence, and efforts. As a result, contrary to the saying “you can’t create something out of nothing,” something is created, and a new company emerges.

We did what seemed to be impossible – having excellent assets or taking rank with major companies fairly and squarely – as if it came naturally to us. We analyze mistakes our predecessors might have made and we are still growing as a manufacturing and distribution company.

Anyway, 1954 was a difficult time. Even though the cost of living was lower than now, the end-of-the-year bonus for a married associate was only 5,000 yen!

I am afraid it could be my selfish imagination; however, I think for those who overcame that time, it was a painful but very much memorable time. Because we experienced or rather, we are the one who pushed to shift from a medium-sized company to a large company.

After most crises were settled, I somewhat started feeling limitations in myself. Therefore, I rented a 700 square feet of office space on the second floor of the Echigoya store in Ginza, away from the headquarters. I decided to go ahead and get an innovative room design and asked Professor Ikebe from Tokyo University, who happened to be one of judges at our “Idea Contest” this year. The room was designed with four black walls. To

be honest, the design was very unpopular back then, and got me in trouble. However, I lived there alone thinking how we can create a stepping stone to become a large company. As the most urgent issue, I requested to find out the most appropriate inventory level for materials and parts to the level of production. The efforts people exerted were terrific. It came close to the unthinkable one-tenth level. I visited each factory with a chart I made to thank associates for enabling us to compete against Toyota or Nissan.

Every section of the company went through a rapid change.

One day, I asked Senior Managing Director Mr. Kawashima, who established the domestic sales network, to go to America, where market research showed “Zero demand.” But I told him, “The future fate of motorcycle is there.” Frankly, he did not look happy. But this curious man went there. I am thinking that Yamaha and Suzuki should send this man a letter of appreciation.

Facing enormous books written by Churchill about World War II in that room became my daily routine. I read important parts over and over again. Why could he have such relaxed thoughts when he was under pressure. Based solely on my memory, I will give you a few examples comparing with Japanese leaders.

Recently, the air-raid siren goes off too quickly. The lights-out time comes earlier. People have to spend more time in a bomb shelter. These things make people tired mentally and physically. So, the order for the air-raid siren should be given later.

There was a huge gap between Germany and the UK in availability of every war weapon including aircrafts and cannons. The UK military forces were using all of their ships, and ships rented from the

U.S. to transport war weapons. Churchill said, "We want those weapons badly, however, recently, the supply of meat has been too short. Please give up a part of the ships and use them to transport edible meats. This war will be long. The highest priority should be not to exhaust the nation."

There are too many radio broadcasts every day when there is not so much change in the war situation. Repeating the same content makes the nation tired. Why don't we broadcast something else?

The UK citizens who have a lot of nerve must endure air attacks in an even more relaxed manner.

The war front in Africa, where the UK exerted all its powers for the last time, was defeated by the German Field Marshal Rommel. British parliament said "no" to Churchill and decided to submit a non-confidence motion against the Prime Minister. Churchill came to know this news when he was meeting with the U.S. president appealing for participation in the war in addition to supplying weapons. The speech the Prime Minister delivered after he rushed back home became an unforgettable one. "It is the free society which enables the UK citizens and parliament to submit a non-confidence motion against the Prime Minister of the country under this worst circumstance. This is unthinkable in Germany or Soviet." The non-confidence motion was defeated by overwhelming numbers.

Around the same time, Japanese parliament was controlled by the military, and parliamentary members who made courageous statements were kept

under by military police.

### **Development of human resources leads the company to prosperity**

A good thing about a mid-size company is its ability to move quickly. It is easier to find good personnel. But at the same time, there are fewer personnel joining the company. I thought one of the weaknesses of large companies is their huge organization which is making it difficult for good personnel to develop. So, I proposed to build an organization in which the goals are made clear and shared with all associates, and thus a second and third Soichiro Honda will grow out of those who work at the forefront and will be able to exercise their abilities. And I determined to make this my primary responsibility.

I kept making suggestions one after another from varying angles. It was important to suggest something interesting to them. As a person who made repeated proposals, I visited each factory and joined their discussions in some cases. The conclusion was always the same – “What is needed the most for the prosperity of a company is to have expert personnel who play the role of an engine as the driving force of the company naturally exist in the pyramid-shaped organization.” However, this involved issues related to the compensation system and the labor union, and thus took approximately 15 years of time because we took various steps before actually implementing it. This experts system which was conceived and created by all Honda associates, is now matured beautifully. I expect the hardiness of Honda Motor will emerge from here.

### **About how the R&D center became independent**

We should not forever be a company which relies only on Soichiro Honda. Unless we produce not one but a number of Soichiro Hondas, we cannot operate a manufacturing company with peace of mind. Toward this end, associates such as experts

in each section and experts who piece together various parts of the company will become guardian angels of the company. In order to ask employees to spend a lifetime to do one thing, our research center must be independent and offer honorable positions. I requested company executives, approximately 150 of them, to review my strong suggestion with this conclusion. Their answer was “No need.” I think those who reviewed my suggestion had a concern about making the union issue worse as the plan could give an impression that it was a solution to clean up the mess because the research center was becoming like a second labor union back then. So, I repeatedly explained that it is absolutely not why I am making this suggestion.

I emphasized, “It is not possible for this to become a labor issue. This is an important thing which will have an impact on their future lives. They should agree with this if they think hard.” However, the resistance of these executives was obstinate and said, “Your intention can be reflected without changing the current organization. With common sense, we cannot find a special reason to do this.” Some of them seriously said to me that I can make this kind of proposal because I never spent time in an organization. Discussion was carried out by a group of about 20 people, then a month later, a different set of people discussed the issue, and we continued this for a half year. The answer continued to be “no need,” however, maybe because of my passion and what I did at this company in the past, the majority of them thought in their mind, “if you insist...” because I was so sure that there would be no stepping stone to become a large company unless my proposal was accepted, I was ready to resign if it was not accepted. I still believe that this was the watershed moment of this company.

Because those executives participated in these discussions sincerely and openly during this period – not for the purpose of resisting against an edgy person making proposals – and probably because they were already talking with their staff about the

plans, the operation of the research center after it became independent made progress based on what I desired the most.

I want to take this opportunity also to thank the labor union for not making a problem out of this.

The social environment will change drastically. Dozens of Soichiro Hondas exist here simultaneously and proudly work straightforward as a group to solve major problems which cannot be solved by an individual.

It seems that I am linked by fate with war chronicles. There is a book written by President de Gaulle about World War II. I even felt this one is better than Churchill's. I read it in my separate office, which I call tea arbor. How did these great men of the century deal with difficult situations – to a degree they taught me and enabled me to become like a corporate manager.

When I was in anguish over a certain thing for a while, Mr. Fukuzo Kawahara, who is currently helping us as an auditor, told me, "You should build a tea arbor. Don't even include a phone. You should live in complete isolation from outside. Someone I respected did so long time ago, and it had a great impact on Mitsubishi." So, I responded to him by saying, "I cannot make tea. And I have not intention to do it." Then he said, "It is better to have a person, or two, who is away from work and does not even show up in the office – especially in case of a company like yours." Initially, I felt strange not going to the office; however it became comfortable for me because I am lazy in nature.

### **The concept of a Service Factory (SF)**

I started thinking around this time. Toyota and Nissan have a major lead in the automobile industry. However, from customers' perspective, the level of repair or alignment services should be the same as those major auto companies. Manufacturers

cannot manufacture unless there is enough service capability. The SF will be truly honored after the introduction of automobiles which comply with the real emission regulations. Other automakers do not have perspective on production of such products, thus service reps of their dealers cannot tell customers, "Yes. We can do it." It is amusing that the only company who can say "Yes" is Honda who is the latest comer to the auto business. In addition, dealers do not have to worry about this at all but just continue pursuing their daily activities.

A sales system which is appropriate for CVCC was established by SF. This is a major contribution to society. I am glad that we came to the point I can say this.

### **The concept of executive office**

This could be an outcome of my separate office. The idea was to have all executives be in the same place on a constant basis, understand the overall situation of the company, and discuss the same issues to make decisions as a company that has grown gradually. Initially, there were some executives who resisted. One day in the first year, when I was coming into the executive office, Managing Director Nishida told me not to come in for the day. As a result of a meeting held that day, it was decided to keep the executive office. Initially, I participated in determining how the executive office should be operated. However, I rapidly cut back the amount of my involvement every year. Since four or five years ago, the management of this company has been shifted completely from us two to the executive room. In other words, it was a shift from Honda's foundation phase to the expansion phase.

In retrospect, significant problems occurred one after another ever since the executive office was established. By solving those problems, we ended up accumulating managerial capabilities.



Managing Director Nishida made statements at the Diet about our defective vehicles. He volunteered to take this role, which took a lot of courage, and expressed our opinions very strongly. It was also this man who one day made the president jump with surprise by telling his wish to resign – he explained that in order to establish a custom to promote young associates, he had to let some talented people go. Though he did it for the future of the company, he made people with achievement feel unpleasant. If he remained with the company, he would be sorry for those people he let go. This showed the growth of the next generation of top management who can manage this company with courage. This gave us the opportunity to retire with an assured feeling.

### **The Things I am a Little Unhappy About**

It seems that our motorcycle market share, which was close to 60%, came down a little bit due to the growth of other makers. Why is it in contrast with the situation with Kirin Beer which is far ahead of its competitors?

I do not deny the answer – “Because we have fewer new products.” However, I must ask if we have been as serious in our motorcycle business as we were before and after the launch of Civic. Are we not thinking, without any good reasons, that we are unconditionally better than other makers because we are a major company? The passion we once had when we broke into the group of major companies – are we not complacent in our premier position? Shouldn’t I question if there are as many people, from the top to the bottom, who ride motorcycles as seriously as there used to be?

As soon as he got to the plant, the president said “Bring out the car,” and took a drive. The accumulation of detailed attention to users leads to the accumulation of market share.

Besides pressuring the research center for the quicker launch of

new products, there must be something we should be doing.

“There is no money falling from the sky.”

It is an issue of people. It is not an issue of capital or organization. There is something to which we must commit ourselves more. To value your own occupation.

This will be my last unwanted lecture. So, please don't think I am misunderstanding the situation.



# TOP

## Kiyoshi Kawashima

Feb. 1, 1928 : Born in Shizuoka  
Prefecture

Mar. 1947 : Joined Honda Technical  
Research Institute

Sept. 1948 : Joined Honda Motor  
Co., Ltd.

Apr. 1970 : Assumed the position  
of Senior Managing  
Director

Oct. 1973 : Assumed the position of  
President and CEO

Oct. 1983 : Retired as President and  
CEO

Present : Supreme Advisor



Pages 139–161 of this chapter are excerpts from the February 1984 edition of TOP TALKS.

Pages 162–179 have been put together based on an interview conducted in September 2006 for the publication of the present volume.

# From The Foundation Stage to The Evolution Stage

1973

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The December 1973 issue of the monthly company newsletter: At the October 29, 1973, board meeting held immediately after the annual shareholder's meeting, Mr. Kawashima was officially appointed as president. The torch was passed in the 25<sup>th</sup> year since the foundation of the company. In this essay, Mr. Kawashima introduced his direction as the first step toward new Honda.

## **Building something new on tradition**

Looking back at the 25-year history of Honda Motor, I realize that there are various traditions and elements of corporate culture which we can be proud of even in comparison with other companies, and that such traditions and culture enabled Honda Motor to become "Honda, the global company."

I would like to further strengthen these good traditions and culture, and at the same time, add two new things. One is something new that complies with society in this new era. The other is something new to Honda.

The first thing is something unique to Honda, or something Honda introduces in advance of demand from society. This is what Honda is good at. I would like to create a lot of these new things by putting together our collective wisdom. Then, I would like to utilize them for the company as our way of thinking and as a work system which is ahead of the times. Moreover, I would like to link such new things to the actual life of each individual Honda employee.

The second thing means something new to Honda, though it may not be new to other companies. Now that I think about it, during the last 25 years since we started as a small factory with dozens of people, we devoted ourselves to efforts to win the struggle for survival. We wanted to do many other things, but in reality, we had no time for that. Therefore, there are some things

that we had to ignore or apply temporary measures, but we could not achieve in our actual operations. I would like to enhance such things. Take the automobile, for example. We kept driving for 25 years only by putting in gasoline, but we did not pay close attention to check if there were any parts missing lubrication or if there were any parts experiencing abnormal wear. I would like to double-check such points. This applies to both organizational structure and company systems. Haven't some measures that have been adopted based on the company beliefs been neglected without being reviewed for their current status? If there are such cases, I would like to take immediate action.

To date, in some areas, Honda has gained six or seven points even when the scale goes from one to five, but we receive only about two points in other areas. Until now, the areas in which we can get six or seven points led and grew Honda. That is why Honda could achieve major growth during its foundation stage. I am sure that those areas will continue making a major contribution in the years to come as strengths of Honda. However, in addition to such areas, we need to put more efforts in enhancing those areas in which we can only get two or three points.

When we think about the future of the company, we must give due consideration to the fact that we cannot always base our efforts on the average score of all divisions, because often times, the worst division pulls down the entire company to its level. This is the challenge of our evolution stage, and it is my responsibility. What I stated here is not a new idea. In fact, it is already being reinforced as a basic thought in NHP (New Honda Plan) activities which began in the spring of last year. We must reexamine our present situation one more time and work toward a much better company that is full of vitality and flexibility.

## Hondaism

1973

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The December 1973 issue of the monthly company newsletter: From an interview with the new president called "Question and Answer."

I think Hondaism means being passionate. In one sense, it leads to making studious efforts and also ensures our attitude, which does not tolerate imitation or doing a quick-fix while putting off solving problems. This is how I have been working, and how I want to work in the future.

## Refraining from Price Increases 1974

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The March 1974 issue of the monthly company newsletter: Due to the oil shock which began in 1973, the world economy was suffering from an inflationary downturn. Under such circumstances, Honda became the only company which voluntarily refrained from price increases, which produced a big reaction from society. In a speech for newly hired employees, Mr. Kawashima explained the true intention.

In the trend toward product price increases, which began in January this year, Honda became the only company that did not carry out such a price increase. We definitely didn't make that decision to earn ourselves a positive reputation. The decision was made after considering various options and asking ourselves some questions including why don't we be patient until we can calm down and calculate the appropriate size of an increase if we really have to raise the price, and whether we can solve the issue through our own corporate efforts.

In addition, automobile sales started declining around the time when the import of crude oil from Arab nations became more difficult and oil prices began to appreciate. So, based on the economic principle of supply and demand, we simply judged that we should not raise the price. This was a perfectly natural conclusion from the perspective of a fundamental economic



principle. In the last two to three months, sales of other auto-makers declined almost by half compared to the same period a year ago. In such an environment, fortunately, Honda's sales have been increasing 20 to 30% or even more.

Our decision to voluntarily refrain from raising prices bore fruit, and we could also learn a great lesson from this incident.

That is, the structure of a society itself has some functions. When activities of a company contribute to the benefit of the entire society, society will never abandon the company, but rather will have a positive reaction to the company.

Conversely, it means that corporate activities which are not acceptable to society, no matter how inappropriate the company action, will not be tolerated and will receive a commensurate negative reaction.

As long as a company acts in harmony and moves forward at a pace that matches society, the company will continue existing. At least, it will not be abandoned by society.

The same holds true for the conduct and value of each individual.

When we conduct ourselves in a company, society, or any other organization, we sometimes face dilemmas of varying magnitude. You may feel like, "Why do I have to be the only one to experience a hard time?" However, if you think that overcoming the problem, even if you have to go through hard times, will make your colleagues, friends, company, and society happy, I want you to try. You may feel like you are suffering a loss at that time, however, it should come back to your benefit in the long run.

If all Honda employees conduct themselves without forgetting

this point, society will welcome you as individuals and also as the company which is the aggregate of such individuals.

## **What Determines The Strength of a Company?** **1974**

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The March 1974 issue of the monthly company newsletter: From the speech for newly hired employees. In December of the previous year (1973), the Civic CVCC went on sale. In September of this year, construction of the Kumamoto Factory began and Honda Motor headquarters was moved from Yaesu, Chuo-ku, Tokyo to the Yashika Building in Harajuku, Tokyo. The number of employees was approximately 19,000.

Honda achieved rapid growth and became a truly global company in only 25 or 26 years. During this period, numerous companies disappeared as they lost power in the competition among companies. Some new employees may have joined Honda thinking about “Selecting a big tree for my shelter.” However, there is no guarantee that even Honda will last forever.

What is the strength of a company? We have a tendency to judge the strength of a company by factors such as the size of company capital, the number of factories, and the number of employees. That is too simplistic. Those things would not be definitive factors which guarantee survival in this era of rapid changes.

The biggest factor which determines the strength of a company is what the company thinks, how it acts, and what percentage of employees share the same thoughts and actions.

It is true that a company can be formed as long as there are capital and facilities; however, it is a human, that is to say, each individual employee who utilizes such resources and generates

achievements in business. Therefore, we can roughly estimate the strengths of a company by looking at how great the company's human resources are and how great the thoughts of those people are.

Companies must have thoughts which promote involvement with society and proactive engagement in things which benefit society, that is to say, Honda's fundamental beliefs.

In that sense, Honda has very high future potential, and it is not an exaggeration to say that Honda will exist forever.

## **Let's Think, "What Can I Do for Others?"**

**1975**

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The April 1975 issue of NEW SAITAMA: From the speech at the ceremony for newly hired employees at Saitama Factory. Following the introduction of a vehicle two years earlier that complied with the emissions standard for 1975, a vehicle that complies with the emission standard for 1976 went on sale in August of this year. The CVCC engine was receiving increasing acclaim around this time.

When you do things at the company or in society, I would like to ask you to think enough about not only what you can do, but also what you can do for others and what you are actually doing for others.

At Honda, we often say, "Work for yourself." This is what Mr. Soichiro Honda, the founder and former president, always said to new employees. Now, I would like to say the same. I know that you joined Honda because you want to be happy and get paid well and have a happy life. So, that is all fine and good to pursue. Moreover, the company has various systems which promote your pursuit of such things, and I am sure that your senior colleagues will give you advice for that.

However, in one sense, both society and the company are one form of organization. A group of people get together, and everybody does what they can do. And we have to make sure that everyone in the entire society or the company can enjoy a happy life. Therefore, I would like you to keep thinking in your mind not only that you work for yourself and what you can do, but also whether what you do is helping others and what you can do for others.

## Moving Forward with Our Uniqueness

1977

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The January 1977 issue of the monthly company newsletter: Featuring the New Year's address for 1977. In October of this year, Honda announced the establishment of a local manufacturing plant (217 acres = 878,200 square meters) in Ohio in the U.S. In the year prior to this, Honda introduced Roadpal, which meant the establishment of a new motorcycle market. With this, Honda entered the "action stage."

Honda is unique.

And we want to continue being unique in the years to come.

The value of people cannot be determined by grades earned in academic subjects at school. To grade people based on such a thing is wrong by nature.

There are no good or bad people, there are just different people. The same holds true for companies.

When we compare ourselves with other companies, there is no gap. Rather, there are differences in various aspects such as R&D, production, and sales.

Honda's originality and uniqueness, which come from these differences, has supported Honda's growth to date. And such originality and uniqueness will continue to be the best weapon for Honda.

In the last three years, we have strengthened and improved excellent aspects of our uniqueness.

In the future as well, I would like to continue to work with all of you to further strengthen Honda's uniqueness by exerting our originality and efforts while combining the unique strength of each person.

Though we entered a new year, we cannot find any major changes in the current downturn trend of the global economy.

The automobile industry is facing external pressure in the form of import restrictions as well as the increasingly intensifying domestic competition. To date, we have devoted our efforts to become a flexible organization in order to solidify our existence and to ensure steady growth in the future.

Our current situation is like being right in the middle of a prolonged rainy season with a rain front sitting tight above us. We get occasional sun, but we are still in the muggy rainy season.

While we are getting rained on for this long, we are steadily getting prepared for it. With a fancy umbrella and nice-looking coat, we are about to start walking in the rain whistling with our chins up.

This will be the year for us to complete our preparations and begin taking action cheerfully.

# A Corporate System Is Teamwork

1978

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The January 1978 issue of the monthly company newsletter: Mr. Kawashima's comment at a round-table discussion with Honda associates titled "To Have Vitality That Works Everywhere in the World," about Honda systems which support Honda's action-taking stage. In this year, Honda accomplished cumulative motorcycle production of 30 million units (in July) and cumulative automobile production of 5 million units (in October).

When we work as a team, rules are established. Such rules represent a system. I believe that a system is teamwork. When the system functions ideally, we feel a sense of satisfaction and our workplace will have vitality.

During the foundation stage, both the company and individuals within it could grow as long as each veteran employee exerted their vitality. Back then, individual effort had an impact on others and led to business growth, and we could actually feel that.

Now, however, we have become a company with 20,000 associates; therefore, a large number of people have to work efficiently while maintaining harmony as an organization. The vitality of each individual will be capitalized on while we are required to work in team play and the vitality of the team is being exerted. This is why I asked you to develop various systems during this evolution stage.

## ***Bunchin* Organization (Honda's Lean, Flat Style of Management)**

1978

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The October 1978 issue of TOP TALKS: An excerpt from a Nikkei Industrial Daily article titled "Point of leadership which carves out the era of turmoil" which was based on a face-to-face talk with Mr. Taichi Sakaiya. When Mr. Kawashima was asked about Honda's organization, he responded by saying it is shaped like a *Bunchin* (a flat Japanese paperweight), not pyramid-shaped.

Honda is not a pyramid-shaped organization, but rather it is operated on a per project basis. I think we can say that project leaders are empowered equivalent to the company president. Each project leader will be responsible for everything, thus it will lead to job satisfaction. We must praise. Setting aside implementation of a reward and punishment system, praise and recognition are priceless.

We often call it a "*bunchin* (paperweight) organization," but there is a small president's group on the top, and all others are lined up horizontally. In short, it is the shape of a *Bunchin*.

Surely, a pyramid-shaped organization is easy to control. It is often said in organization theory that when an organization is to be built, it often becomes an organization that is easy to control by people on the top. Things are easier with an organization where it is easy to pursue responsibilities. However, this is the worst organization for lower-level people to work and gain job satisfaction. In contrast, there is no other organization harder to control than a *Bunchin*-shaped organization. When something goes wrong, it is hard to identify who I should be yelling at. It is clear that employees do not achieve a sense of job satisfaction unless the company builds an organization which is hard to control.

# Engineers and Mental Toughness

**1978**

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The October 1978 issue of TOP TALKS: An excerpt from an article, “President Kawashima – essays,” which appeared in the September 1978 issue of *Prothemeus (magazine)*. In spring of this year, Honda began accepting applications for its new automobile dealer channel, Verno, which began operation throughout Japan in November of this year. In the U.S., Honda established a motorcycle production subsidiary (that would begin production the following year).

What is important for engineers is flexible thinking.

BorgWarner held all relevant patents for the automobile automatic transmission, and it was said to be impossible to run through their iron-tight defense. For that reason, Japanese transmission makers signed a technological tie-up with BorgWarner, established joint venture companies, and paid a high patent fee.

However, Honda perfected a unique automatic control (transmission) without interfering with BorgWarner’s patents, which everybody thought were impossible to get around.

If we were thinking and developing in a similar way, we would not have been able to avoid BorgWarner’s perfect defense. We can develop a component which has the same effect as an existing one by reexamining current technology, looking at it with different sets of eyes, and seeing it from different angles or sometimes from the completely opposite angle.

It does not mean that we can conquer any kind of patent; however, engineers need to have the ability to think flexibly without being constrained by an existing framework.

There is one more thing I am keenly feeling after going through this experience of overcoming BorgWarner’s patented technology. In the end, engineers’ spirits all come down to mental



toughness. Obviously, various elements such as teamwork and financial investment are necessary to develop new technologies. However, what brings success in development is the mental toughness of each engineer that enables them to overcome difficult times.

It is relatively easy to develop technologies based on preexisting theories. However, we sometimes experience an unexpected breakthrough when we begin development without theories and try various things while not being afraid of making mistakes.

The research theme for human beings and scientific technology may be something like this.

## **No National Boundaries for Good Products**

**1979**

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From a speech to new employees at Saitama Factory in April 1979: While trade conflict was getting public attention, Mr. Kawashima talks about his thoughts on overseas production. In September of this year, the motorcycle production plant of Honda of America Manufacturing (HAM) began operation.

Though it is a little bit outdated, there is a phrase which goes, “There are no national boundaries for good products.” It means that national boundaries are irrelevant to good products, and as long as the products are good, we have the right to sell and the products are sold in any country. However, as you must know well by looking at the current situation of the world, no matter how good the products are, if we export them to certain areas too intensively and too quickly with no consideration, it will cause social confusion in partner countries by taking jobs away from local people and by crashing local companies. I think we must not do that.

However, Honda has local production plants in many countries, contributes to the local job market, lets local people work, and procures various items locally and puts them in our products. Considering this point, I think Honda should never have to hesitate to export. It is important for us to build our products with confidence that good products will please everybody someday.

As you know, the Ohio plant in the U.S. will be completed by this summer. I think it is not too long before we will see American-made Honda motorcycles imported to Japan.

We are also making progress in our discussion with British Leyland in the UK. I would like you all to understand that Honda is not a company which just takes products and brings money back. Instead, we are enhancing our social acceptance as a company in various ways. At the same time, I would like you to be proud of being a member of Honda, and conduct yourself with confidence. The key premise for that is for us to build good products.

## **Abandon The “No Play, No Error” Attitude**

**1979**

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The May 1979 issue of TOP TALKS: From “Strategic move and confidence toward intensive corporate war.” Mr. Kawashima talks about the vitality of Honda. In May of this year, the R&D section for power products was separated from Honda R&D and established as the Asaka East Research Center. In June, Honda won the TT-F1 class race.

Recently, I hear more criticism from media people. They say that Honda used to have tremendous vitality, but recently, we are acting smugly like an adult and have lost the wildness of youth we had before. However, I think it is wrong to expect the same level of vitality in this low-growth period as was exerted during

the high-growth period. The vitality Honda had in the past was the kind which let us crawl out from a sewer if we fell in, or even to jump high enough to get out. However, the vitality we need now is the kind which will keep us from falling down in the sewer, or that enables us to run or quickly walk away from in front of a horse before that horse tries to kick us. I think the latter kind of vitality fits better in modern times.

Either way, however, I feel that we certainly started losing some vitality in many ways.

Because we would like to continue nurturing more vitality, I want to ask you to strongly caution yourself against a “no play, no error” attitude. Such an attitude toward avoiding making a mistake by doing nothing will be the underlying cause of a company going bankrupt. Please do your work seriously and head-on without being afraid of making mistakes. Your hands-on effort might get you covered in dirt and please put your efforts into learning things not with your head but with your hands. As long as you work with the best of intentions, even if you make mistakes, the lessons you learn from your valuable firsthand experiences will become part of you and will be utilized when you make a leap in the future.

# Difference and Uniqueness

1981

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The September 1981 issue of TOP TALKS: An excerpt from an article titled "Compete on Uniqueness not on Difference" which appeared in the October issue of *Diamond Harvard Business Review Magazine*. The article was written based on a face-to-face talk between Mr. Kawashima and Professor Shuichiro Nakamura of Senshu University. Mr. Kawashima was asked what he meant by "uniqueness not difference."

A difference is something we express mainly in quantitative terms such as large or small. Uniqueness means heterogeneity, thus I feel there are more spiritual factors attached to it. When I think about the reason or driving force behind Honda's growth to date, I think it was definitely not that we were different, but it was our uniqueness. This is just a concept of words, but let me give you an example of a difference. There is a phrase, "Selecting a big tree for your shelter." However, difference in the amount of sales revenue or the size of the company, or that is to say, achieving size in those measurements does not guarantee that the company is good or gives you peace of mind. I am just bouncing these words off Honda employees to encourage them to think about what the growth energy and stability of a company really mean and the concept of "difference" and "uniqueness."

So there should be diverse opinions depending on the person's standpoint, and I think this very well serves the purpose of facilitating flexible thinking and breaking down commonly held stereotypes. This discussion of difference and uniqueness is definitely not about me stating my management philosophy as the president of Honda.

There is another thought. "Respect for the Individual" has been one of the underlying beliefs of Honda's management policies ever since the establishment of the company. I sometimes say there is no difference among people, there is only uniqueness.

Surely, there are commendable people, famous people, highly regarded people, but these characteristics are not a difference, but rather the uniqueness of each person. I think these words are useful from the perspective of “Respect for the Individual” as well as our management policies.

## **Technology Is a Means, Not a Goal**

**1981**

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The September 1981 issue of TOP TALKS: From an article titled “Compete on Uniqueness not on Difference.” Honda, which entered the automobile business in 1962, had never promoted the fact it had been producing “FF” (front wheel drive, front engine) passenger cars ever since the introduction of the N360 in 1967. Mr. Kawashima was asked the reason for that.

I do not remember one time that we promoted Honda’s strength in technology. Soichiro Honda says, “Technology should serve people. It is a means, not a goal; therefore, we should not advertise technologies.” More than anything, our goal is to provide our customers with good cars. FF is just a means for us to achieve that goal. Therefore we do not need to advertise the means.

I worked at R&D. I grew up being told, “The research center is a place to research people’s state of mind, not technologies. Technologies are a means. If we do not keep that in mind, the means become the goals.” After all, what’s important is how conveniently and easily people can use our products. And to comply with the present time, cars just need to be resource-saving and energy-saving. We have no need to show off the details of our technologies.

# How Should a Company Act in The Future

**1982**

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The September 1982 issue of the monthly company newsletter: An excerpt from the section in which President Kawashima was asked straightforward questions. Mr. Kawashima answers the question, "Honda associates' values are becoming more diverse, and at the same time, the corporate organization is getting larger. Don't you think we will need a coordinator who coordinates the entire company?"

I think various types of people, that is to say, people with diverse opinions and values, should be in the company. I think we better not think that we need someone to coordinate just because there are people with different opinions. I think it is fine if it appears that people are uncoordinated and scattered around like "baby spiders" (a Japanese expression). Coordination will inevitably take us in the direction of killing multi-dimensional and diverse values or individuality. It may be a very inefficient organization with some strain or waste; however, for each individual, having no coordinator means a lot of opportunities to grow. We express our own thoughts and act accordingly. Often-times, things do not necessarily go well. However, through this, we reflect on or reconsider what we did. Then we express our thoughts and act again. And we fail again. Then we think again. And do it again. I think this is a good way to do things while improving the capability of each individual.

This may appear to be inefficient for a company; however, I think this is the safest and most promising way in the long run.

# Inheriting a Way of Car Making Which Represents The Uniqueness of Honda

1982

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The September 1982 issue of the monthly company newsletter: An excerpt from the section in which President Kawashima was asked straightforward questions. Mr. Kawashima was asked by a first-year Honda associate, "What is important to inherit from the Honda way of making cars?" In January of this year, the City model won the Japanese Automobile Award at the first World Car of the Year.

The Honda way of making cars is to be sensitive and grasp what customers or society really want and to embody that in products. The most important thing to continue passing down about this Honda way is to never lose the youthful spirit inside Honda.

As I always say at the ceremony to welcome new employees joining Honda, the youth of Honda does not mean actual age. Rather, it is a sensitivity which allows us to face things in a straightforward manner, an ability to take actions, and knowledge which supports our action.

I think the Honda way of making cars comes out of this youthful spirit of Honda.

For instance, you need to be sensitive and straightforwardly feel the most important things including what customers or dealers really want, what will be good for our customer as well as the issues of safety or environmental pollution. And then you take action by sharing what you feel with R&D, your boss, or relevant experts.

Ultimately, it should not be a company president deciding what kinds of cars to make; rather, we should make cars by putting our knowledge together. And as I just said, the closer the person works to our customers, the more responsibility that person has to exert their knowledge. That is what I want to say to you.

## Inventory Check on Thoughts 1983

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The January 1983 issue of the monthly company newsletter: From Mr. Kawashima's New Year's remarks in the year Honda celebrated its 35<sup>th</sup> anniversary.

During the Edo period, businesses carried out their annual inventory check in January, and thus, the inventory check was one of the seasonal words for the New Year. Why don't we carry out an inventory check with a new viewpoint while our minds are still fresh this year? All of the systems and procedures we currently have were necessary when they were first introduced. However, if we carry out an inventory check on the intent and purpose of these systems, I assume many of them will be found to be outdated.

There is a saying, "People slip the most when people relax because things are going so well." Everything appears to be going well at Honda and we receive a lot of compliments. Because we are currently in this kind of position, I would like you to straighten up, prepare and double check yourselves.

## Pursuing Youth and Strength 1983

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The September 1983 issue of the monthly company newsletter: Commemorating the 35<sup>th</sup> anniversary, the Honda Human Jamboree '83 was held at Suzuka Circuit while gathering 20,000 Honda associates from all over the world. Prior to the event, Mr. Kawashima made a proposal in the special edition of the company newsletter commemorating the company's 35<sup>th</sup> anniversary.

It is significant that Honda is celebrating its 35<sup>th</sup> anniversary when the international environment for the automobile industry is shifting toward a new stage which shows a mixture of competition and cooperation. Though there is no landmark in the flow of time, we should consider this 35<sup>th</sup> anniversary as a turn-



ing point and make it a great opportunity to reaffirm the Honda spirit and to recommit ourselves to taking the first step toward a new leap for the future.

In retrospect, this decade which began with the oil shock was a tumultuous era with various upheavals – two oil crises, fluctuation of exchange rates, trade conflicts, maturation of the domestic market, increased social restrictions in areas such as energy-saving or low emissions, an economic slowdown on a global scale, and so on. In this kind of environment, Honda was no exception and faced some difficult issues. However, we were able to achieve reasonable results by implementing a team strategy and systematic management, which takes advantage of our organizational strengths, and also through the efforts of every single Honda associate to accumulate the knowledge, courage, and efforts which are ahead of the times. We fought hard in defending our position as the leading motorcycle maker, and we began to receive global recognition as an automobile maker. In addition, we are making strategic moves to establish our power product business to make it into a third big pillar of Honda. We should be proud and confident of the growth we have achieved over the last 10 years.

However, there is no guarantee that Honda's future will be an extension of the current trend. I must say this is quite true as things change so rapidly, and we face waves of complex and diverse challenges which we cannot manage based on our past experiences or textbook strategies. Therefore, we must strongly caution ourselves not to grow arrogant based on the current status and our reputation and to be satisfied with them. It is said that all things change. However, Honda wants to remain a company with a lot of vitality in the future. Toward this end, even during this era of upheavals, we must further hone our foresight and pioneer spirit, and always remind ourselves not to fall behind in dealing with changes in the environment.

At this timing of our 35<sup>th</sup> anniversary, I would like to propose the following.

First, I would like you to have courage and a youthful spirit with which you foresee the future with a constant state of dissatisfaction in a creative sense, and boldly stand up against the challenges which lie in our way.

Second, I would like you to straighten up and re-train yourselves, that is to say, for Honda to become a globally competitive company.

These will be one of the keys to promise our victory in the current competition and our growth over the next 10 years and, moreover, the enduring growth of Honda as a global company.

## Trust and Delegation of Authority

1994

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1994: From a speech delivered at the Top Seminar held by the Tokyo Fashion Association.

Mr. Soichiro Honda had a wonderful partner in Mr. Takeo Fujisawa. They trusted each other and grew Honda. People describe Honda in many different ways such as a two-man company instead of a one-man company, or a three-legged race by President Honda and Vice President Fujisawa. However, after all, I think it was their mutual trust and teamwork which brought up Honda in 25 years, or 40 years by now, from a small back-street factory to the current globally recognized Honda. If there was no trust between them, or if there was no teamwork between them, I think Honda would not exist as it is now.

Honda is a company which grew because of the strong leadership

of its co-founders, Mr. Soichiro Honda and Mr. Takeo Fujisawa.

However, it was not like everything went well all the time. Back then, there were four Senior Managing Directors including myself, and we actually managed the company by then. At one time, Mr. Honda and Mr. Fujisawa disagreed, and thus, no decisions were made and the top management function was paralyzed for several weeks. Four directors, who were given the responsibility of managing daily business activities, were stunned and didn't know what to do. We even worried that the company might fall apart.

At such time, I told my fellow directors, "They are the founders of the company, thus they have the right to let the company go down." With that, we bounced back and came out of the crisis by trying various things. I just said that the company founders have a right to let their company go down. Back then, there were many company founders who exercised this right.

Two or three years after that incident, I became the second president of Honda. I remember that I kept telling myself, "I am a second-generation president. Therefore, I have no right to let the company go down. All I have is the obligation to maintain and grow this company."

Getting back to the point, it is trust.

It is very difficult to trust people. It is not easy to trust your subordinates. However, if you cannot trust your subordinates or associates, the only thing left for you to do is to manage and supervise.

Without trusting subordinates and associates, top management must run the company by saying, "That is not good. Do it this way." Naturally, detailed rules must be made one after another.

Then what would follow is a punitive form of managing people. Then, there will be a list of “don’t dos,” which describe what associates should not do.

I remember a story related to this list of don’t dos. There is a racing circuit called Suzuka Circuit in Suzuka City, Mie prefecture. The circuit has been doing very well thanks to the recent boom in Formula One racing. I think it is a world-class racing circuit. There is an approximately 40-acre amusement park adjacent to the circuit. The amusement park was built in 1961 under the leadership of Mr. Fujisawa.

Mr. Fujisawa strongly warned the amusement park employees by saying, “Never put up any signs such as ‘Don’t litter,’ or ‘Keep out.’ Never make such announcements. Trust our customers. We cannot claim to be an amusement park or racing circuit without trusting the customers who enable us to make a profit. It is not acceptable to tell customers not to litter or not to enter some area while making them pay to come in.” I was listening right next to him and was surprised by what he said. However, his true intention was, “Instead of telling customers not to litter, make this place so clean that it would embarrass any customer who litters.”

You may notice if you visit Suzuka Circuit, but they even hire part-time workers and are making sure that even a single cigarette butt is picked up right away. We should not do things while not trusting customers who pay money to us or while treating them like bad fellows. We should not receive their money if we do not trust them. I think this is one form of trust. It is considered a great management system when rules are created, a list of don’t dos, and supervising functions are developed. However, we have to be careful. There will be no delegation of authority with this type of management.

The following has been put together based on an interview conducted in September 2006 for the publication of the present volume.

## **Memory of NHP (New Honda Plan)**

**2006**

In 1973, both President Soichiro Honda and Vice President Takeo Fujisawa retired from their positions together. It was a beautiful and pleasant withdrawal. However, it was the beginning of sobering work for me as I was told to be the next president. I was 45 years old back then. It was two years before I became president when the so-called “dollar shock” happened, due to the sudden appreciation of the yen from 360 yen to the dollar, to 308 yen to the dollar, that happened after the shift to the floating exchange rate system. The business environment started to show changes and become something different from the past, and we were feeling a sense of crisis about whether Honda Motor could continue responding to such change.

My assumption of the presidency was not a mere generational change of the head of management, but it meant Honda Motor had to go through changes equivalent to being re-born.

For the first 25 years after the foundation, Mr. Honda and Mr. Fujisawa, the founders who had such a huge presence, led the company and accomplished amazing growth. However, if we looked at it from a different viewpoint, the growth Honda experienced was all too rapid.

Moreover, the two founders took charge as the heads of the company during the turbulent foundation stage; therefore, it was impossible to simply find a substitute for them after their retirement. To be frank, we had no choice but to shift from the man-

agement by our two founders toward group management by the executive office, including me as the president. It was a big change, and my honest feeling was whether I could perform the job after those two.

That said, there were some facts that gave me peace of mind – Mr. Honda and Mr. Fujisawa would be the Supreme Advisors who we could go to for advice, and board members who were older than I was would support me. For that matter, we had a decent preparation stage. As training for group management preparing for the retirement of the founders, four Senior Managing Directors including myself were already practicing group management.

During that preparation stage, we began developing the NHP (New Honda Plan) and started a company-wide reform a year before I became the president.

Put simply, NHP was a plan to carry on and further strengthen the strong parts of the company that emerged during the foundation stage and to straightforwardly reflect on and reform the weak parts. As a base, there was a realistic awareness of our problems, that Honda had strong parts, but also weak parts. For instance, the larger the influence of the founders, the more likely the organization is to have a top-down approach, and thus vertical relationships get stronger. If no measures are taken, the company cannot improve efficiency. So, we pursued a reform to establish a total system while thinking it was necessary to strengthen our organization by enhancing coordination between divisions as well as individual associates.

Another major issue we were aware of was the uneven level of capabilities among different divisions. There were some divisions which could gain seven or eight points even when the scale goes from one to five, but there were other divisions that

could get only two points in other areas. They were very uneven in all aspects including human resources, property and equipment resources, and financial resources. The true capability of a company is measured not by the average score of all divisions, but oftentimes by the score of the worst division that pulls down the entire company to its level. If there are weak divisions, we cannot exert the collective strength of the company as a whole. Therefore, I thought we needed to discuss how strong divisions could help weak divisions and how weak divisions could be aware of their own issues and strengthen themselves.

In this situation, most companies follow the common practice to call in business management consultants or critics, and let them present plausible opinions in order to identify the issues and develop a reform plan; however, we did not take such a method. Because the NHP was based on the TQC (total quality control) theory, we could call in an expert in that area; however, we thought we should be aware of and identify our issues and draft a reform plan appropriate to solve identified issues on our own because it was about our own company. I was not saying that we did not need opinions from management experts, rather I said we should be open to the opinions of various experts as we could sometimes be self-righteous and narrow-minded, and there were things that were difficult to notice from the inside. However, my point was that we should do the natural thing of first thinking on our own.

Another important point was that I positioned the time period for implementation of NHP as an “evolution stage,” which followed the foundation stage. Normally, the growth stage follows the foundation stage; however, I positioned the “evolution stage” before the growth stage. I thought that we needed time to build up our basic strength and to review what we had done in the past in order to welcome our growth stage. In other words, I made it clear that there was a transition stage. This was also a

natural thing to do.

During this stage, I gathered a couple hundred associates who would eventually be working on the forefront at the spot as managers to hold discussions to dig up issues and to grasp the essence of those issues. Various questions were asked including what were the problems, what were good and bad aspects at the spot, why would such problems happen, and how could we solve them. Furthermore, I asked them to hold thorough discussions to find concrete solutions. Then, associates who gained a clear awareness of the problems and clear reform plans through this process became managers one right after another and implemented various projects. By positioning issues from the operational level “at the spot” into a company-wide project, each of those associates was able to see how their work was linked to and contributed to the whole. As a result, it led to the changing of the mindset of each associate.

Through these NHP activities during the approximately three years of the evolution stage, we moved toward the growth stage. During the 10 years until I retired as the president, Honda increased its sales four or five times. It was a result of the strenuous efforts of all Honda associates. However, I keenly think that the thorough discussions and reform efforts under the NHP during the evolution stage became the basis for the growth.

## **The Honda Motor I Joined 59 Years Ago**

**2006**

When I joined Honda Motor, it was a small factory in Hamamatsu with some ten-plus employees. To be exact, it was not Honda Motor Co., Ltd., but a privately owned factory named Honda Technical Research Institute.



Japan was defeated in the war in 1945, and it was two years later, March 1947. It was the days of yore, almost 60 years ago, thus it must be difficult for young people of today to understand even if I explain it.

As the reality of a defeated nation, society and the economy as well as politics were worn down and in chaos. It was not even a full-fledged independent country, but occupied and governed by the Allied Forces. There were many people who lost their place to live due to air strikes, and it was the era of austerity when we did not have enough to eat for the day.

During this time, I was finishing up my schooling and thinking of working, and I was about to face extreme difficulty in obtaining employment. It was an era when people had to worry about whether or not they could get any job, or whether or not there would be any factories or companies where we could possibly get a job before even worrying about something like finding a job we wanted or getting a job with a company which offered high compensation. Even those who desired work had no place to work.

I was born and raised in Hamamatsu, and Mr. Soichiro Honda was living in a neighboring town. My father was a friend of Mr. Honda, and one day he heard that the Honda Technical Research Institute was hiring a person who could make technical drawings. I thought of getting an interview. So, my father took me to Mr. Honda's house which was only 100 meters or so away. I was interviewed and told, "Then, start tomorrow." This is how I got a job.

By current definitions, the Honda Technical Research Institute back then was a venture company. Being in an era of chaos, with low wages was a better deal because we sometimes did not get paid for three months or so. I would say that it was not

just the Honda Technical Research Institute, but the entire society that was like that. Delayed payment of wages was common. Because I could walk to my work from my parents' home, and thus I did not need money for train tickets, I worked hard with no other choice thinking that I should be thankful that at least I have a job even when I did not get paid. However, I am sure that my parents were concerned that their son who supposedly got a job was still financially depending on them. This is how my work at Honda started.

Because of this environment, all employees including, obviously, Mr. Honda were full of ambition. If we could get this company off the ground and grow it big, we could maintain our lives, we could get a place to live and sleep, and we could get things to eat. Before the war, the President had owned and brought prosperity to his auto repair factory named Art Shokai, and then he had established and became the president of a company named Toukai Seiki which manufactured piston rings. Therefore, he must have been thinking that he would make this company bigger and better than other companies he had before.

With the collective efforts of the employees, Honda Motor Co., Ltd. was established on September 24, 1948, and I joined the company the following year. The company capital was 1 million yen, and there were 34 employees under President Soichiro Honda. Then, Mr. Takeo Fujisawa joined the company in the following year, that is to say, in 1949, as Managing Director. With his participation, the leadership for Honda's foundation stage was established.

Since then, by the time I became president in 1973 – that was the 25<sup>th</sup> anniversary of the foundation – the company capital had increased to 19.48 billion, and there were over 18,000 employees. During the 10 years of my presidency, thanks to the hard work of every employee, sales increased more than four

times, and the company grew to the point where we had capital of 39.22 billion yen and 23,000 employees.

It would be a lie if I say that I imagined this would happen. However, it also would not be true if I say I had never imagined this could happen.

We aspired to make the company large. The motivation behind our ambition was simple. We wanted to have better lives. Our first goal as employees was not to have to worry about a delay in getting paid. Therefore, to be accurate, being a large or small company was just one expression. Our true wish was to make this company a place where each employee can live by their own values and realize a better life. It is always true that a company is a collection of people, and thus the important thing is what kind of initiative each member has and what kind of work the company does. There may be some people who brag about how big a company they work for, but being only large is meaningless.

And there was another big motive. Mr. Honda kept leading Honda Motor by saying, "Unless we are number one in the world, we are not number one in Japan." Employees who took his words seriously strived to develop, manufacture, and sell products which make customers happy all over the world. As a result, the company became large. This is a more accurate story of our growth.

Regardless of the size of a company, what is important is what kind of work the company does. Is the company making a contribution to society and making customers happy? I hope Honda today is the result of our attitude to value this kind of thinking.

## What It Means for Honda to Be a Young Company

2006

Today, it is ordinary to work and travel around the world. However, back when Honda was founded, it was not easy for ordinary people to take a trip to a foreign country.

In that era, Mr. Honda was looking at the world. Three years after he founded Honda Motor, he took his first overseas trip and toured America. A trading company involved in export and import activities organized some venture business owners and took them on a group tour. Back then, it was the only method for us to travel overseas. The reason for that was that even when we asked for permission to go abroad to expand our business, if we were not importing or exporting at that time, we did not receive an allocation of foreign currency, thus we could not obtain any foreign currency.

Not being able to obtain foreign currency was an ongoing problem for us. After Mr. Honda came back from America, I was ordered to go Germany. That time, as well, I could only go with the title of a contract employee kindly given by a trading company. Moreover, when we participated in the first Isle of Man TT Races in 1959, the whole team of nine members was turned into contract employees of a trading company and took a trip to the UK. Worse still, the amount of money allocated for us was about \$2,000 dollars per head, even though we were going to stay on the Isle of Man for over one month. So, we could stay in a small hotel, but we had to share a room, cook on our own, and even brought our own laundry machine.

In such an era, Mr. Honda still took initiative and traveled to foreign countries, took a tour to see the world, and told me to go see Germany.

As we came in touch with the broadness of the world, we were surprised. And Mr. Honda repeatedly told us, “We are like the frog in the well that knows nothing of the great ocean. The world is big.” He said, “When you meet with Western people, you don’t bow repeatedly like Japanese-style bowing. Instead, look straight into the person’s eyes and do *Sekihan* (rice with red beans).” *Sekihan* sounds like “shake hands.” This was his joke, but back then, the first overseas trip was a fresh experience like this.

We could have knowledge of the broadness of the world or any other information about foreign countries by reading books or by subscribing newspapers and magazines from foreign countries.

However, Mr. Honda valued the experience of traveling abroad because he valued youth. Mr. Honda explained what he meant by “youth” by saying, It is important to build up your knowledge by reading books, researching, and thinking while sitting at a desk. However, it is more important to accumulate your knowledge by getting in touch with reality, getting surprised and amazed, observing the details of things while taking interest in them, thinking with your own mind, and learning from reality. He meant that we could learn knowledge at schools, but wisdom did not become part of us unless we thought ourselves, thus, we must see things with our own eyes and think with our own minds. This does not apply only overseas. For instance, Mr. Fujisawa was working in Tokyo. So, he told Mr. Honda and us about Tokyo while we were working in Hamamatsu. So, we started going to Tokyo every opportunity we had and experienced and observed the scope and the atmosphere of the national capital, and then we started thinking on our own. Then, Honda Motor decided to move its headquarters to Tokyo.

This is what Mr. Honda meant by saying, “Honda is a young

company." It is not about age, he meant we should value the great sensitivity that youth possess. To be surprised and amazed without reservation, to remain humble and observe things carefully, and to think using your own head; he wanted us to always have this kind of youthfulness.

Mr. Fujisawa expressed this as "passion." When I became the president, I said "sensitivity." Next to that was "action." Then, I said "wisdom." This order is important.

"Sensitivity" means that you should maintain a fresh mind toward things you see for the first time, and be surprised and amazed. You should always see things open-mindedly. Then, "action" means that you should think about what you felt. And you should verbalize it vocally or in writing, or in some cases by drawing pictures. Consider whether it is really good for society and then for yourself. Doing these things will create "wisdom." The wisdom of human beings is infinite, thus it can be created endlessly. If you act only on knowledge gained from books or other people, it can be an obstacle to what you are trying to do, and you act in the usual way. However, if you act based on your own thinking, actions that you can be responsible for become possible to achieve. I have always thought Honda Motor should remain as a collection of this kind of people.

As a result, if you have "sensitivity," you will "act" and then earn "wisdom." Wisdom comes infinitely to any person. We should all believe in it and value it. I believe that is the "youth of Honda."

## The Person Called Soichiro Honda

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2006

It is the 100<sup>th</sup> year since Mr. Soichiro Honda was born. I have no special thoughts about that. I admire Mr. Honda, and I think I would not have lived this kind of life if I had not joined Honda Motor. Mr. Honda is an incredibly important person to me, and if you tell me to talk about that, I can keep talking for dozens of days and still that would not be enough. I would completely support the idea of holding some kind of celebration if people from his hometown of Tenryu would do it locally; however, I think Honda Motor doesn't need to do that. Though Mr. Honda is the founder of Honda, he is a human being not a god. Worshipping him by holding a celebration doesn't do any good. If we turn that human being into a god, Mr. Honda would be mad. We should respect and value the founder and know and think what that person thought and said. It is completely different from holding an event to celebrate his birth.

I would not talk about what kind of person Mr. Honda was because there could absolutely never be enough time to express that. People ask me for an episode or two, but there are so many of them. So, let me tell you about the cigarette which I am smoking right now.

When I became the president, Mr. Honda once said, "You can make a rule to prohibit smoking within the company."

Mr. Honda did not smoke, or I should say, he could not smoke. When I was enjoying smoking, Mr. Honda reached out and said, "Looks tasty. Give me one." He lit a cigarette, but he could not smoke. He physically could not smoke. Then he stubbed out his cigarette saying, "Hmm, it's not tasty."

When customers visited Mr. Honda, Mr. Honda lit a cigarette

right in front of the customer. Unlike now, the majority of men smoked back then, and people did not think about non-smokers very much, and lit cigarettes without asking for permission. I guess non-smokers were suffering back then as much as now, but the entire society was not aware of that.

Because it was that kind of era, Mr. Honda lit a cigarette in front of the customers soon after greeting them. To let customers feel free and comfortable to smoke, Mr. Honda pretended that he was also going to smoke. In this way, customers could truly enjoy smoking during the meeting because they didn't think that Mr. Honda did not smoke. Like this, Mr. Honda was a person who quickly understood and valued the other person's feelings.

Mr. Honda said to me, "It is OK to make a rule to prohibit smoking within the company." I was naive and didn't understand what he meant and asked, "Why?"

Mr. Honda told me the following: "Because I cannot smoke, if I make a rule to prohibit smoking within the company, employees would think that the company president is taking away their simple pleasures because I don't smoke and, thus, don't understand their joys and feelings. Because you smoke, you understand the joys and feelings of smokers; therefore, if necessary you can order non-smoking within the company. What do you think? Are you going to try it?"

I told him, "I will not make such a stupid rule." I would not take away the simple pleasures from employees. Well, if it were today, I would answer him that I would put in a high-performance smoking room on each floor to completely isolate smokers. Back then, as a smoker, I was lacking awareness about the harms created by smoking.

Mr. Honda was this kind of person. Though he did not smoke,



he valued the feelings of smokers. In other words, he would not do anything that would displease others. As the president of a manufacturer, he would not do anything which displeases customers, obviously, dealers and business partners. No matter if it was an accidental situation or a trivial thing, he quickly sensed, thought, and gave consideration to the feelings of the other person.

From such trivial things to big things, I learned a lot from him.

I think I can say that this was why I could maintain my patience and continue working at Honda. That is right. Around the time of Honda Motor's founding, payroll was delayed. I could put up with such a company because I thought I could learn a lot from the president, Mr. Honda. Mr. Honda, who spoke out loud about his dreams, and who we almost wanted to call an idealist, had real dreams and hopes. That was why I could patiently continue working at Honda.

This is a discussion about loyalty and human nature, thus there may inevitably be some irrational or illogical part of my story, however, these are my true feelings.

## **Each of You Must Be a Professional**

**2006**

I don't want to say this kind of thing so much, but I sometimes face occasions where I want to say, "Is your work commensurate with the salary you are getting paid?" Worse still, some people do not have any counterargument. They do not say their own opinion, such as "You say I'm not earning my money, but I do this job and that job."

Is it a mentality of simply yielding to those with the power? When your boss is yelling at you, you remain silent and let him yell while you are thinking that this person will reach retirement age in the coming years. I think that this kind of thing was rare at the Honda Motor I know.

I want you to have your own opinions. If you have pride that you are working for Honda Motor, getting a good salary and benefits, and doing a good job which lives up to what you are getting, you must be able to challenge against criticism from your boss. Otherwise, you are not a professional who gets paid for your work.

If you are not convinced with what your boss says, articulate your opinions and get into a discussion. I think Honda Motor grew because there were many of this kind of people.

Mr. Honda was the president, but he always said, "A job title is unnecessary in a discussion." There was the idea that unless we could discuss freely and seriously, we should not be a manufacturer to build and sell products which involve customers' lives.

So, I think bosses who do not accept counterarguments are wrong. It is absolutely not acceptable for bosses to yell at or lecture their subordinates, but at the same time not to allow proper counterarguments.

That means such bosses do not understand the feelings of others. Those who cannot understand the feelings of their own subordinates would have no way of understanding the feelings of customers, dealers, and people from our business partners.

I do not like to focus on trivial things and talk about them as if it is a management theory, however, I would say this because this is what I wanted to say.

When Mr. Honda was the president of R&D, he volunteered himself to test drive an automobile. Because it was a prototype car, one of the tires came off while he was driving it. Fortunately, it did not turn into a major accident and everybody involved in the testing was safe and sound. However, needless to say, it was an extremely dangerous case. I am sure that those who were in charge of the tires and suspension felt paralyzed and regretted their big mistakes. It was an accident in which the test driver could get seriously injured. It may be the nature of test driving to discover dangers which we would never let our customers experience. However, even for testing, such a dangerous thing should never happen. Avoiding a major accident, Mr. Honda parked and got out of the prototype car. He laughed in front of those people in charge and left, "I am such a skilled driver, aren't I? I parked the prototype car without getting off the track. Ha, ha, ha." He did not get angry at all. That was because he knew that those in charge of the vehicle were blaming themselves for the big mistake. He saw that, thus he had no need to yell at them.

When I was the president and went to see the factory, the route for me to tour was prepared, and people tried to guide me this way and that way. However, I took initiative and walked around the factory freely. Places on the route were cleaned beautifully like an operation room in a hospital. But the corner places off the route had carbon and metallic dust on the floor, and my shoes sometimes slipped, and the metallic dust stuck into the bottom of my leather shoes. Even in such occasions, I did not get mad. I asked for an old rag and wiped the bottom of my shoes. I just said, "Let's clean here," and resumed my tour.

I think it does not help to find the downside of your subordinates and lower their work evaluation. I can say that because I did the same thing. When I knew the president was going to come, I waited for him after instructing people to hide defective

items. But the president always detected our tricks. In such a situation, Mr. Soichiro Honda did not get mad. He said, "This is not good, is it?" and kept on walking.

Without this kind of boss, young people cannot grow to be full-fledged professionals. When everybody there is not a professional, the company only goes bad, therefore, I would like each of you to work while thinking that you are a professional in your job.

## **Human Nature Is Fundamentally Good** **2006**

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I know that Honda Motor was adopting the belief that human nature is fundamentally good.

I wonder if this belief that human beings are born to be good people would be accepted in Japan and the world today. I don't know the answer. But Honda Motor was adopting this belief.

What it means is that, when your subordinates made mistakes or experienced bad results, you should think your guidance was bad. They did not try to make mistakes. They did not do certain things knowing they were going to get bad results. It was your fault because you did not teach them, train them a certain way, and give them advice.

If you have know-how that you learned the hard way, you should educate them about the know-how, so that your subordinates do not have to go through the same difficulty. They are not going to use such know-how in a negative way. So, you should delegate more and more authority and raise young people. I always said that delegation of authority is just like the

body replacing old cells.

It sounds like a Zen riddle, and it is really bad for old folks to talk on and on about this kind of things. As more young people grow, old folks would naturally dry up and disappear.

## **What I Said on a TV Program** **2006**

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There was a time when an NHK (television) program did a story on our challenges and the first participation in the Isle of Man TT Race in 1959.

Because TV programs are entertainment for people, they edit the story to make it into a tear-jerking story. However, there is no second chance in racing, thus we had no time to get emotional. It is not easy to become number one in the world. Because racing is a one shot deal, luck always has some role in it. However, we were given a company order to become the world's number one, we had to establish a team which withstands luck, and build a machine which could win even with bad luck. We did not have time to get emotional.

Ever since this tour to the Isle of Man, I stopped going to a barbershop. I cut my own hair. I realized that I had no problem with that. The thing was, back then, there was a limit to the amount of foreign currency you could take out of the country. So, we wanted to save money to go to a local barbershop. There was a handy guy on the team, and he cut people's hair and made small pocket money. It was aggravating to give up my pocket money, thus one day I cut my own hair. Then I realized that it was not so bad. Since then, I stopped going to a barbershop. At the spot of racing, this kind of things happens.

At the shooting of this NHK program, the host of the program asked me a question, "What did you think when you won the race?" My answer was edited out from the actual show that was broadcast. I answered, "I felt relieved." I did not have feelings such as being pleased or moved. I entirely felt relieved.

The host repeated the question, "Then, what did you think?" So, I answered, "I thought that I can now go back to the company, but I got worried that my desk and chair might be gone." The tour to the Isle of Man was long and I was gone incredibly far away. So, I was worried everybody might have forgotten about me.

That was my honest feeling and natural worry as one manager of a company. However, the TV program does not get excited with this kind of comment, so it is natural for it to be edited out. But when I challenged racing I was thinking this kind of thing. I think I was thinking this kind of ordinary thing.



## **Tadashi Kume**

Jan. 2, 1932 : Born in Hyogo  
Prefecture

Apr. 1954 : Joined Honda Motor  
Co., Ltd.

May. 1979 : Assumed the position  
of Senior Managing  
Director

Oct. 1983 : Assumed the position of  
President and CEO

Jun. 1990 : Retired as President and  
CEO





This chapter has been put together based  
on an interview conducted in September 2006  
for the publication of the present volume.

# **We Have a Promising Future, but We Are Standing on Unsettled Ground**

**2006**

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I succeeded Mr. Kawashima as the president in 1983. When I was informed that I would be the president, my honest feeling was that I was in big trouble. However, there was no way for me to get away from it. That was the duty given to me. Saying I didn't want it would not take me forward.

Because I worked as an engineer for my entire career, even when I was the president of Honda R&D, I was viewing myself in an engineering position such as a Chief Engineer. I joined Honda because I enjoyed making things, and I worked at the research center. Therefore, I think that being an engineer had been my ingrained habit. So, when I was told to be the president of Honda Motor, I did not take it so seriously.

As an engineer, as soon as I joined the company in 1954, I started off with the development of engines for racers, which we developed for the Isle of Man TT Race. I did this for about five years. Then I moved on to mass-production engines with Honda's first automobile T360, from S360 to S800, N360, and the air-cooled H1300. Then I did Civic, and then worked in the area of low-emission technologies. During all this, I was also involved in designing F1 and F2 engines. All I did was the engine, and I still like engines. I think engines are very interesting things.

After doing these projects, I took over the job as the president from Mr. Kawashima, who was the second president. One of the most important jobs Mr. Kawashima took on was the shift toward group management. During the first 25 years since its establishment, Honda Motor grew at a tremendous speed and became a major company under the strong leadership of Mr.

Soichiro Honda and Mr. Takeo Fujisawa.

In this situation, Mr. Kawashima took over the role as the president and had to shift from the management by strong leadership of Mr. Honda and Mr. Fujisawa to group management.

To be accurate, how we were to achieve this shift was already discussed before Mr. Kawashima became the president of Honda Motor. I remember it was sometime around 1971, when Mr. Kawashima succeeded Mr. Honda as the president of Honda R&D. Mr. Kawashima told me, "Each of us is an ordinary person who does not even come close to Mr. Honda. However, each of us has at least one area where we are a little bit better than Mr. Honda. We should work by putting such areas together. Let's think how we can work together to outrange exceed one genius." I remember Mr. Kawashima saying this when we faced the situation where we had to shift management of Honda R&D from Mr. Honda's sole leadership to the group leadership.

This was how the need for group management emerged; however, there was another urgent problem. Honda grew rapidly under the management of the co-founders, Mr. Honda and Mr. Fujisawa, and by then, it had grown too big to be managed in the same way as it was during the foundation phase.

The story of Napoleon will be an easy-to-understand example. Mr. Honda was very much interested in this historical figure and even owned a letter actually written by Napoleon. Napoleon had never been defeated in any battle he commanded. He had won every single one. Please put aside the idea that it might not be good to talk about war.

The first battle Napoleon was defeated was when he attacked Moscow leading a huge number of troops totaling 500,000 soldiers. He was the sole commander of the 500,000 soldiers. It

was a horrible defeat, and when his troops made it back home to Paris, there were only 1,000 armed soldiers. However, Napoleon did not get discouraged by this defeat. He quickly pulled together 500,000 soldiers again and began attacking the allied force of Prussia and England. And he got badly defeated again. This defeat ended the era of Napoleon. It is said that this great commander kept saying, until he died, that he did not know the reason why he got defeated so badly. He did not realize that it was impossible even for a genius like Napoleon himself to command such a huge number of troops by himself.

In fact, there was a story behind the story that Prussia carried out organizational reform on their military forces. The Prussian military had been defeated by Napoleon so many times before. Therefore, they carried out organizational reform and came up with the system of the chiefs of staff, which is one of group leadership methods. Eventually, major corporations from modern days took reference to this organizational theory of the Prussian military and adopted its structure with separate line and staff functions. It is beyond human capability, even for a genius, to lead a huge organization alone.

In that sense, Mr. Honda and Mr. Fujisawa were smarter than Napoleon. I think they understood this universal rule, and thus decided to install the group management system for the following generation to manage Honda Motor, which was becoming huge. They carried out a generational change and shift toward group management at the same time. After he retired from the position of president, Mr. Honda said there were increasing numbers of things he did not understand or words to that effect. In my personal opinion, I think he said such things realizing the limitations of management style during the foundation stage.

This is the background behind the shift toward group management which Mr. Kawashima challenged to achieve. It takes time

for a large organization to make a shift. Honda's foundation stage lasted 25 years, and it was a wonderful success. Because of that, it was not so easy to establish a new management style. A group of human beings are not so easy to adapt to a new style. That is the difficult aspect of managing people and an organization.

When I succeeded Mr. Kawashima, the group management structure was already in place thanks to the hard efforts by Mr. Kawashima and others. However, it was not in its final form. We were standing on shaky ground, or that is to say, there were things that needed to be improved in many places. These were latent issues which surfaced when the shift to group management took place, or issues which emerged as a result of the shift.

So I said, "We have a promising future, but we are standing on shaky ground." I thought that we must solidify our footing again while looking toward our customers. So, I began my job as the president of the company by sending out the message, "Let's be Honda with a strong constitution, while thinking first about our customers."

## **Grasping The Purposes**

**2006**

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Shifting toward group management required excellent staff officers using military organization as an analogy.

However, as Mr. Kawashima said, we were just ordinary people who could not even come close to Mr. Honda. Mr. Honda may get upset with me again if I call him a genius, but he sure was quite a person. We were no match for such a great person.

Therefore, it was doubtful that we could even be excellent staff officers. We wanted to make Honda a strong organization and to foster human resources, however, that was a very difficult challenge. We studied and thought various things, but it was really a difficult challenge.

I had a relative who was on staff in the Japan Air Self-Defense Force, who even studied abroad at a military college in the U.S. I asked him to teach me about military organization – what military organizations were like, what kind of people made excellent staff officers, and how such personnel could be fostered. He was kind enough to teach me all that, and I remember that I learned a lot from him.

Obviously, it was necessary for me to reexamine the realities of Honda while learning things in a different world. Moreover, we reviewed failure experiences from the past and closely investigated what the problems were and what we did wrong. Because we all are ordinary people, we spend as much time as possible for discussions.

I remember that when we began the development of the first-generation Civic, Mr. Honda did not take leadership like he did prior to that, but rather, he passed the torch to our generation by saying, “I leave it to you guys.” When that happened, we first held some discussions instead of moving our arms and legs from the beginning. What were our purposes? Why did we set such purposes? Can we believe in such purposes? We discussed these things a lot because we thought it was important for all of us who lead Civic development to clearly understand the purpose. To grasp our purposes, we held lengthy and free-wheeling discussions forever. Mr. Honda was not happy at all. We heard him saying, “All they are doing is talking, not working.” However, we pretended like we did not hear him and continued the discussion assuming he would not yell at us anymore. I feel

sorry for Mr. Honda; however, that was the only option we had.

This is how we developed the first-generation Civic. When we developed CVCC in parallel with Civic, we also talked a lot. Because the development of CVCC was like accomplishing the impossible, we tried and failed repeatedly. It was a very painful development, but we never got sick of it or gave up. Instead, we were becoming a team that became more passionate when the project was more challenging. The reason was that everyone clearly grasped the purposes of CVCC development. Mr. Honda said, "If Honda can develop CVCC which complies with the Clean Air Act in the U.S. before other makers in the world, Honda, the latest comer to the automobile market, can quickly be the number one automobile maker in the world." However, as we repeated discussions, we all began feeling that we should not do this for our own benefit. "We developed CVCC so as not to pollute the air of this planet called the Earth." It does sound somewhat naive; however, I think that we could accomplish the difficult CVCC development only because the entire team shared this ambitious purpose.

What we discovered through these experiences was that an excellent staff officer was not one outstanding person. Rather, the important thing is for the entire team to discuss deeply and broadly, and then clearly grasp the purpose. We realized that what is important is not just to think with our heads, but to discuss thoroughly and experience repeatedly so that it becomes part of us. In other words, a fully motivated team can together be an excellent staff officer. Without it, we cannot do a good job. This is what we found out.

For a genius or a smart person, this might be an obvious fact. However, we ordinary people, learned this by working ourselves into a sweat, getting covered in grease, and thinking and experiencing it.

## **I Said “Honda Is Suffering from Big Company Disease”**

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2006

It was 1983 when I became the president. That was the era when Japan's high-growth stage, which lasted 30 years, was about to end. In 1980, Japan became the largest automobile production country in the world, and the Japanese economy was maintaining steady growth. However, at the same time, it was the era when people shared vague anxiety about the world entering an era of upheaval.

I think people viewed Honda as a company which was growing steadily without experiencing a downturn in performance.

However, I started hearing people saying, “Something is slightly wrong with the company.” I also had a feeling that I started seeing more things which made me think something was wrong.

I got worried and did a little investigation. And I found numerous trivial problems. Such problems made me think that they seemed to be trivial problems on the surface but there might be serious underlying problems.

For instance, there was an incident where we got a severe complaint from a customer. This customer came to the headquarters office asking for a calendar. However, a Honda employee did not treat the customer appropriately, and thus the customer got very upset. For other cases, we received numerous complaints from our dealers saying, “Because of a lack of ingenuity on parts, it takes time for us to repair. Why can't you modify those parts so that it will be easier for us to replace them?” I had a hunch, thus I checked with the parts center. The response was, “We can make such changes, but then there will be a large influx of orders for those parts. Then we will not be able to handle that many orders and end up causing more inconvenience for



our customers. That is why we don't promote the idea of changing too much, but rather take the direction to enhance the capability of our dealers to repair it." I was upset with the response. In short, it was inward thinking which prioritized avoiding their own trouble over inconveniencing customers and dealers.

These kinds of things were happening everywhere. I thought each part of the company started losing its view of the whole company as the organization grew larger. Once employees who are in charge of one area start seeing things only around themselves, they start acting for the convenience of themselves. Ultimately, we start failing to see the customers. This is a fundamental problem for an organization going through the expansion stage. Obviously, this was not a problem unique to Honda. Any organization which grows big will inevitably face this kind of problem unless a necessary measure or reform is taken. This is as if dinosaurs which grew too large went extinct for that reason.

This was what became known as "big company disease." I thought that neglecting this issue would cause us serious damage because our organization was still continuing to grow. So, I expressed my concerns to board members and began discussions right away. We were having fierce arguments. I understood the seriousness of the problem, and thus thought we should discuss it thoroughly. In the middle of such discussions, I publicly commented, "We are suffering from big company disease. We will cure it." I thought hiding it made it even worse. I thought it was better to honestly tell customers about our big company disease and get severely reprehended. I wanted to take everybody back to the starting point and begin our discussion from the fundamental question of the purpose of our work. After all, our discussion was expanded to the point of involving all managers. I thought that was a good thing. It was a serious problem that needed to be discussed intensely, thus we all should discuss

and think. Otherwise, our big company disease would not be cured.

Our discussions came down directly to our Company Principle, the Fundamental Beliefs, and the Management Policies. Because of the nature of the problem, we could not get away with superficial discussions. We discussed our bottom line, starting point, as well as the past and present, while hoping to see our future at the end. Obviously, we faced a reality where we must carry on our daily work instead of talking; however, there were unavoidable discussions.

Eventually, the discussion came down to the ultimate purpose of Honda Motor's existence. We had another intense argument.

Then we finally reached a conclusion. We exist to make dreams come true. The dream is the satisfaction of our customers, and thus when customers are satisfied, our dream comes true. It was nothing special. After all, our discussions hinged on our Company Principle and Fundamental Beliefs.

That was the conclusion of our discussions. That was just a fruit of our discussions with which we could finally stand on the starting line for the reform. From there, we had to grasp the direction and policies of the reform as well as the vision for the new organization. Then we carried out the reform. Because the reform would require a substantial amount of energy and tremendous vitality, we thought we better leave it with people of the next generation and asked Mr. Kawamoto to take over the presidency.

## What Was Missing in The Three Joys

2006

In the mid-to-late 1980s, smoldering trade conflict between Japan and the U.S. became a major political and economic issue, and caused extreme appreciation of the yen against the U.S. dollar, and Japan was getting into the bubble economy.

As for the Japan-U.S. trade conflict, Japanese automakers, which were viewing the U.S. as a major market, became the target of criticism in the U.S. The U.S. started efforts to show that automobiles imported from Japan were causing a decline in the sales of American automakers and American auto workers to lose their jobs. Then not only the U.S. but Europe also started asking for restrictions on imports of Japan-made automobiles. Developing nations whose automobile industries were not matured imposed very high tariffs on Japanese automobiles in order to foster domestic industries. As each country had their own economic issues, Japan entered an era when Japan's export-based growth strategy was not accepted.

Under such political and economic circumstances, appreciation of the yen against other currencies became another serious problem. By the 1970s, when Honda was actively exporting motorcycles, the era of a fixed yen-dollar exchange rate of 360 yen to the dollar was over. The exchange rate started moving to 240 yen to the dollar, and at one time, it came down to 180 yen to the dollar. However, these fluctuations were not so problematic.

The exchange rate always fluctuates; however, the fluctuations during the 1980s were too steep. In 1983, the rate was moving somewhere around 250 yen to the dollar. However, after the Plaza Accord in 1985, the yen appreciated very quickly and reached straight to the level of approximately 120 yen to the

dollar. The appreciation of the yen against the dollar progressed very noticeably and drastically. We had to say that it was a crisis for Honda, which was generating two-thirds of its profit through exports.

Based on our basic policy to build our products close to our customers, Honda was proactively increasing local production of motorcycles and automobiles as well as power products. However, during the era of trade conflict, criticism from the U.S. was very severe. We were criticized based on the interpretation that what Honda claimed as local production in the U.S. was just assembly plants, thus most of the profits would be brought back to Japan.

I thought about this issue in light of our fundamental beliefs – the Joy of Buying, Joy of Selling, and Joy of Producing [*note: now the “Joy of Creating”*] – and realized that a system in which our products were provided to the world from production bases in Japan cuts off the chain of joys at national boundaries. Further, it did not only cut off the chain of joys but shifted it into a chain of money. This is what’s causing problems like trade conflict to emerge.

Then I realized that we were missing the “joy of society.”

By then, we already had a basic policy to think based on “maintaining an international viewpoint.” So we wanted to contribute to societies where we conducted business, and we actually were taking some action. However, our wishes and actions were not strong enough to be identified with the term “joy of society.” If we think thoroughly, it was obvious that if countries and societies where we conducted business did not feel the “joy” of having us there, our business would ultimately come to a standstill.

The criticism from the U.S. back then meant that our way of

competition was not something from which American society which will experience “joy.” If we continued on with such competition, even if we won and achieved a leading position, we could not expect any further growth and expansion of Honda.

As an extreme case, I thought that Honda should become more autonomous in the U.S. Toward that end, we announced and implemented the strategies which would facilitate such autonomy. In addition to increasing the number of local production bases in the U.S., we had to go far enough so that R&D and production technologies would lay roots in the U.S. and become autonomous there. Otherwise, we could not say we contributed to societies in the U.S. While strengthening such initiatives, we proactively promoted other measures such as increasing local content and exporting the U.S.-made models to Japan. This applied not only in the U.S., but also in countries where the foundation of the automobile industry was not yet matured. If local Honda entities in such countries can form a mutually complementary network while maintaining autonomy in each country, we can achieve free competition without interfering with the growth of the local automobile industry.

We could not find good words to express this concept, and thus we sometimes called it a global complementary network. In short, our intention was that as a federation of local companies, we would conduct activities which would bring joys to society. I realized that all we needed to do was to proceed with our everyday business activities based on this concept. We learned this lesson from the political and economic situations back then represented by trade conflict.

# What Mr. Takeo Fujisawa Taught Me

2006

I think Mr. Takeo Fujisawa observed Honda very well while sometimes stepping back and providing his viewpoint from a little distance. It is a given that we work hard at our own workplace; however, if that is all we do, our view of things gets narrowed and our thinking loses flexibility. In such a case, we should view things from a distance or think from different angles, and then we sometimes will start to see something new. I think Mr. Fujisawa was doing this intentionally.

As far as I know, it was Mr. Fujisawa who first suggested making R&D an independent company. The intention was to make a place where we were allowed to make mistakes. If we could take on bold challenges there, we could avoid making mistakes with our customers. By separating R&D from Honda Motor, we develop our products without causing any inconvenience for our customers. Frankly speaking, there were some occasions where we did inconvenience for our customers, therefore, this idea was the result of reflecting on such cases. I heard there were strong objections toward making R&D an independent entity. Mr. Fujisawa held discussions with those opposing people and asked them to think. After all that, R&D became independent. I am afraid to think what would have been happening by now if he did not make that judgment.

The beautiful withdrawal from the company of Mr. Honda and Mr. Fujisawa, together reminded me how great of people they were. At the same time, I realized that Honda owed everything to them during its foundation stage.

When I was the president of Honda R&D and facing somewhat of a crisis situation with serious product quality issues, Mr. Fujisawa, who was the Supreme Advisor then, suddenly showed

up one day and talked to us. I was told, “No matter how much you look forward, there is no future there. If you want to see the future, look back in the past. In the dirt of mistakes we made in the past, there is a key to the future.” I was told to sift through the dirt of the past.

At first, I did not understand what he meant. Nobody wanted to remember or mention mistakes in the past. Those who actually made those mistakes would be bothered and would not feel good. However, I was told to sift through the dirt of the past, no matter how uncomfortable it would be. And Mr. Fujisawa even taught me how to do it.

When I actually did patiently dredge up the dirt, there was a startling discovery. There sure was the key, which enabled me to structure my thoughts to solve the serious quality issue we were facing.

I think that was Mr. Fujisawa’s firsthand experience. He did not lecture us, but he just taught us how to do it. He taught us that we had to do it ourselves and learn from firsthand experience, otherwise we cannot solve serious problems. If we simply follow the principle, we will end up repeating mistakes from the past. Looking back at past mistakes might be OK; however, dredging up the dirt of our own mistakes is not a fun thing to do, or I should say, that it is painful, thus it is a normal human emotion to avoid it if at all possible. However, I was taught that if we want to advance ourselves, we must get dirty and sift through the dirt and learn from the past mistakes.

Work is tough no matter where you work. However, Honda’s toughness is not in the sense of “You will be fired if you make mistakes.” Rather, making mistakes are acceptable at Honda, but Honda has a “Do not put a lid on your mistakes” kind of toughness. I want to say that Mr. Fujisawa taught me these kind of things.

## Philosophy Is Not Something to Believe in, But to Experience 2006

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Mr. Honda worked like a demon. There is no other way to describe him better. Because I goofed up so often, he got mad at me and yelled at me, and he was a scary person while working.

Now that I think about it, we use the word “creation” too casually, but it is not such an easy thing to do. We cannot achieve creation through easy effort, rather we must be backed into a corner and really be in trouble. The reason we felt afraid of Mr. Honda was because he was working while experiencing this himself. We often said, “Mr. Honda first makes us climb up to the second floor, then he takes away the ladder, and sets the first floor on fire.” That is how Mr. Honda drove us to the corner and put us in trouble. We thought what a horrible thing he does to us, however, how else could we achieve creation?

I was quite often yelled at by Mr. Honda. However, he did not yell at me when I worked really hard and still made mistakes. I was getting yelled at only when I did the job without thinking thoroughly and caused others some trouble. Mr. Honda’s logic was that a person who causes trouble for others will trouble our customers as well.

I remember when I designed a cover for the crankcase of a race engine. I designed the cover to match with the inside of the crankcase, and therefore, the heights of the tightening screws were all different. Mr. Honda found that out and yelled at me, “This will cause mistakes when people tighten those screws in a big hurry before the race.” He said, “If there is a mistake in the process of tightening those screws, that will cause trouble in this part of the vehicle and we will lose the race. If so, the person who tightened those screws will blame himself. However, the true cause of trouble is you who designed a crankcase like this.



You are not thinking about the feelings of those who tune up the vehicle.” After that, Mr. Honda flopped down on the floor of the factory and reviewed every part of the design of the crankcase for three hours. After all, as Mr. Honda said, the height of all the tightening screws came down to the same level. He gave me another quick lecture at the end, “See. You can level them all in this way. You were designing based only on your convenience.”

There was a different incident. Mr. Honda yelled at a person in charge of the carburetor and ordered him to fix it in a certain way. After due consideration, that person made a judgment that fixing it in the way Mr. Honda said would not make the carburetor any better. Usually, we had to make changes by the next morning, otherwise Mr. Honda would yell again. However, this person thought about it thoroughly for the entire night and determined that Mr. Honda’s instruction would not make it better. The next morning, Mr. Honda came, and the person spoke out his opinions thoroughly, “What you are saying is wrong.” The person coherently contradicted every point Mr. Honda made and completely shut him down. Then, Mr. Honda said, “You shouldn’t say this kind of thing in front of others, you should have whispered it into my ear.” He had a sense of humor, and kept telling us to respect others. Basically, this is Honda’s “Respect for the Individual.” To make our customers happy, we must respect other people’s feelings. Technology comes after studying human feelings. Those who cannot understand people’s minds have no way of making customers happy. That was Mr. Honda’s point.

Therefore, Mr. Honda was a person with a good heart. During work, he turned into a demon who made us climb up to the second floor and then set us on fire, but he still had a good heart deep inside. He understood other people’s hearts much more than I could.

At one time, Mr. Honda and I took a business trip, and we were

having breakfast together at a hotel. I was having toast and coffee. One of the servers was kind enough to pour more coffee in my cup, but it was actually tea. I was having a little trouble because I could not drink that, but also I was reluctant to complain. Then, suddenly, Mr. Honda said, “Give it to me” and took my coffee cup and quickly drank up the coffee-tea mix. Then, he said, “You can ask for a refill now.” I really thought I was no match for this man.

Such people as Mr. Soichiro Honda and Mr. Takeo Fujisawa are the founders of Honda Motor. They are the ones who built the foundation of Honda and led Honda to be a truly global company. They worked like crazy, and they were stern people. They had a big dream. It was a big dream to build what makes customers happy, which enables us to work all over the world. They were the kind of people who always daringly took on hard jobs which enabled us to accomplish the impossible. So, they were almost always facing difficult times. However, no matter how much difficulty they faced, they were always cheerful. They never forgot to laugh away difficult situations. So, if I say it a little suggestively, they were like a *tanuki* (a mythical character based on a Japanese “raccoon dog” known for its good humor). Our founders were demons of work, but they still had room somewhere in their heart to become like *tanuki*.

I introduced my experiences, but here is my conclusion. Honda’s origin and philosophies are certainly important, however, it is meaningless to repeat them like the absolute truth. Such superficial things will be spotted by customers, and would not enable us to achieve a dream to make our customers happy. If you think Honda’s origin and philosophies are important, I want you to learn them through real experience, and then do your work based on them. Philosophy is not something you are taught and then believe in, but rather it is something you can learn by experiencing. This is what I want to pass on to you.



# Top

## Nobuhiko Kawamoto

Mar. 3, 1936 : Born in Tokyo

Apr. 1963 : Joined Honda R&D Co., Ltd.

Jun. 1989 : Assumed the position of Senior Managing Director of Honda Motor Co., Ltd.

Jun. 1990 : Assumed the position of President and CEO

Jun. 1998 : Retired as President and CEO

Present : Special Advisor



This chapter has been put together based  
on an interview conducted in September 2006  
for the publication of the present volume.

# **I First Walked Around The Actual Place**

**2006**

It all started one day when Mr. Kume, the president at the time, suddenly said to me, "I will appoint you as the next president." I guess appointment as a company president is something which always comes out of the blue, but my case was exactly like that. There was no explanation given to me. Mr. Kume only said, "OK? Understood?"

All I could do was to tell him I needed some time to think. However, this was about my work, thus I could not say no. I felt like I was locked into the grid of a Go board with no way to escape. (Go is a traditional Japanese game employing a grid as a game board). After all, thinking would not help. I must do it. Once I prepared myself for it, I started to feel, "To date, I was given opportunities to do some interesting jobs in R&D. So, I have to make a small contribution and return the favor to Honda." But I felt I was really stuck. I had never deeply thought about the management of entire Honda.

I worked at R&D for my entire career, therefore, I was trained only to create things. I thought it was my true mission and took great pleasure in creating things; therefore, my honest feeling was that I wanted to be at R&D until retirement. By then, I was the senior managing director of Honda Motor in charge of product quality; however, my plan was, once Mr. Kume retired as president, to ask for permission to go back to R&D with a position with a lot of freedom and do some research that I wanted to do. Then, I wanted to finish my life as an engineer.

I was trained thoroughly by Mr. Soichiro Honda to make good things, that is to say, things which make people happy and make people's lives more enjoyable. Frankly speaking, that was the only kind of job I thought about, and I was passionate about it.

So, even when I faced international political and economic issues – back then, a Japan-U.S. trade conflict was getting more attention and the trade imbalance between the two countries was pointed out – I thought problems would be solved if we continue building good products which make American customers happy. It was almost like a belief I had.

A guy with this kind of thinking was to become the president. I did not know much about company management. What I knew the least was sales. Though I grew up at R&D, I had some experience in management because R&D was an independent company which held shareholders' meetings, announced earnings, and had a certain level of management functions. I had experiences working with factories which were also the site of making things along with the R&D center. However, I had absolutely no experience in sales.

Obviously, I listened to directors at Honda Motor, who had much experience in the field of sales, however, that was not enough for me to understand sales. I entrusted directors in charge of sales, however, it was not acceptable for me to remain ignorant and not ever understand sales.

That is why I walked around the actual place where sales activities were taking place. It was also a lesson I learned from Mr. Soichiro Honda. If there is something you do not understand, stop talking gibberish, go to the spot, see how people work at the spot, and listen to people at the spot. I visited approximately 70 dealers, small and large, all over Japan – sometimes by using a helicopter. At each of those spots, I discussed what all was happening at the forefront of sales, what were the problems, what should we do, and so on. Thinking it would be difficult for people to talk without reservation at the workplace, I took them out to eat and drink and talked in a relaxed mood. I did it everyday, so my body was suffering. However, as I expected, I

learned a lot at the spot and became more conscious of problems. I cannot find the right words to say this, but I felt that I could reach out and create a heart-to-heart connection with people at dealerships. While I was doing this, a young Honda associate in sales asked me to name his baby to be born. I still receive a New Year's card from him every year, and he told me his child turned 17 this year.

In this way, I walked at the actual place of sales, and I saw, I heard, and I thought. I thought things through and, thus, I just needed to take action. This is where I started my job as the president.

## **Big Wave of Political and Economic Change**

**2006**

By the time I began playing the role of president in 1990, the problems of so-called trade conflicts between the U.S. and Japan had already gone beyond the level of intergovernmental negotiation. Ever since the Plaza Accord in 1985, the appreciation of the yen against the dollar had been continuing, and the environment for exports was getting worse. On the other hand, due to the burst of the economic bubble in Japan in 1990, the automobile market in Japan entered a period of stagnation. Moreover, the reunification of East and West Germany in 1990 and the collapse of the Soviet Union in 1991 ended the Cold War period of the postwar world. In other words, the world was entering an era of great confusion. With customers all over the world, Honda was forced to face this tide of rapid changes around the world.

Under such circumstances, I was surprised that the undersecretary of the U.S. Department of Commerce came to visit the



president of Honda, which was just one of many Japanese auto-makers. The U.S. ambassador to Japan also came along. Obviously, the purpose of their visit was to remedy the trade imbalance between Japan and the U.S.

As we do business in the U.S., we sincerely listened to the opinions of the U.S. government officials. However, I could not agree with anything they said. Among other points, the U.S. side strongly claimed that Japan's *Keiretsu* system for parts procurement was enabling us to procure unreasonably cheap parts through a monopoly and, thus, disturbed free trade. They also insisted that this was becoming a factor that enabled us to sell unreasonably cheap automobiles. In short, they were saying, "You guys are unfair, thus, you cannot sell unfairly made automobiles in the U.S. To remedy this unfair system, you must buy more parts from the U.S."

It was an opinion based on the principle of free trade; however, it did not apply to Honda. Honda had been producing automobiles in the U.S. since 1982, and buying enough parts locally. Further, some U.S.-made parts were used for products built in Japan. Most importantly, Honda did not even have a *Keiretsu* system through which Honda could procure parts in a monopolistic way. They should have come to us based on facts, and needless to say, it was irrelevant to use political pressure to force us to do something.

So, I said, "What kinds of efforts are the U.S. government and automakers exerting? We would like to hear about your efforts." I understood the situations facing the U.S. But I wanted to ask what kinds of efforts they were putting in before they came to tell us not to sell our products anymore. However, their response was "no negotiation with an unfair company."

I had no intention either of smoothing things over or speaking

out strongly because these were U.S. government officials. I just said that this was how Honda thinks all the time. I thought it would be discourteous to them to use superficial negotiation tactics in such an important discussion. And because it was a negotiation, I had things I wanted to express. All I did was explain the fundamental way of thinking at Honda – fairness in business is important, but a company is worth existing only because it creates new value through its own efforts and knowledge before making demands of others.

I did not think those U.S. government officials understood. What I said might have offended them. However, we would be misunderstood if we did not say things when we should. So, I thought it would be better to explain than to be misunderstood.

Through these experiences, I keenly understood that the world was going through large and drastic changes. Honda had been doing business with customers all over the world up to that time. However, I had to be keenly aware that Honda bumped into the big wall of the world. About 50 years had passed since Honda was established, and the collapse of the Cold War structure decisively changed the paradigm of the world. It maybe a somewhat extreme thing to say, but as the most advanced nations suffered from a downturn in the economy, problems between the countries were shifting to economic issues. As a result, we started to see numerous occasions where politics interfered with the international economy. Honda would face waves of such big changes in the world – and my perception of the era we were facing became the important basis for the managerial judgments I made.

## **I Became Annoyed by The Rumor of a Merger**

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**2006**

It was complete nonsense, but there was an occasion where a rumor was spread that Honda would merge with another automaker. I think that this rumor was spread because there were some people who worried about our weak performance. It was not good that Honda made some people worry. But Honda associates and those who know Honda well knew that would never happen.

But it was a fact that such a rumor was spread around. I felt quite upset about that. Our performance was bad, certainly. But that was why we were exerting every possible effort to overcome the situation on our own and to become what Honda was supposed to be. Therefore, I thought that suggesting a merger at this timing was almost like violating human dignity.

Mr. Soichiro Honda insisted on Respect for the Individual. This has been a very important origin for each of us, too. Each individual should live freely based on their own initiatives and efforts. Each individual should let their life fully blossom and explore life on their own. No matter how hard it is, or even if we face unknown difficulties, we must solve such issues with our own wisdom and effort and continue paving our own way. That is all Mr. Honda is saying, nothing more. That is Honda's way of life. So, there was no way that Honda would merge with others. I guess there were some people who suggested it because our performance was not good or because we did not have money. However, Mr. Honda would say, "If we are being useful to people, money will follow." We are doing business, not a money game.

I regret it now, but back then, I yelled at a newspaper writer who heard the rumor and came to my home to wait for me to

return. I still remember that incident vividly. It was a summer day and getting dusky in the evening, the newspaper writer was waiting for me by the front door of my house. I lost my temper and before I had time to think, I was yelling out loud. It was so loud that a woman who was walking down the street in front of my house on her way home jumped and walked around us. Now that I think about it, I feel sorry that I caused trouble for those who were walking on the street, but I got really upset. I thought that writers who had been covering Honda would have known better, but I guess this particular writer did not.

Anyway, this shows how furious I was about the rumor of a merger. However, I learned something through this – that the world was entering an era where companies formed or dissolved alliances based on the interests of that time as well as an era where the automobile industry would experience reorganization on a global scale. Because we were in such an era, I thought we had to clearly express Honda's way of life.

## **No Change, No Future for Honda**

**2006**

The discussion concerning Honda slowing down a little started during Mr. Kume's presidency. Put simply, things which we had been doing quickly and smoothly started not going so quickly and smoothly. Mr. Kume quickly felt a sense of crisis and began an initiative to get a full grip on the situation and extract problems through repeated discussions – because Mr. Kume realized that if we fail to solve this problem Honda would no longer be Honda. In time, the drastic changes going on in the world, represented by the appreciation of the yen, swept over us, and we were put in a situation where we had to urgently find a way to survive through this era while maintaining our autonomy. The

global situation changed minute by minute, and Honda also faced these changes. We did not have time. Neither the world, nor time would wait for us.

I realized that a superficial reform would not work at that point. A thin veneer of reform would be swallowed up by the big waves of change throughout the world and the times. That became clear when we saw what happened to some Japanese automakers afterward. I decided that we needed quite a drastic reform in order for Honda to survive while maintaining our autonomy, and to grow further.

Because Honda is a company driven by the combined opinions and ways of life of each associate who works there, it is impossible to reform Honda unless the mindset of each associate is changed. Moreover, Honda had kept moving forward ever since its establishment and never looked back. Therefore, we were really good at coming up with creative ideas and creating new values, but were having difficulty doing ordinary things in ordinary ways. In addition, we experienced some large, unnecessary, and wasteful losses.

I thought we were developing an excess of “Me-ism” and becoming overly egotistical. Therefore, I suggested “You-ism.” I kept saying, “Instead of pursuing a product dream based on me-ism, we must go back to you-ism which puts the highest priority on our customers.” In the previous era, aggressive me-ism was the most appropriate way of work, and it enabled Honda to expand and grow rapidly at the cutting edge of that era. However, I thought that this way of working would end up being the most inappropriate one once the time and environment changed.

To carry out the reform, there was a possible method known in the Japanese language as “restructuring” (with a stronger suggestion of layoffs or downsizing). However, I thought that was not

the right direction for Honda. I thought shuffling things through organizational changes or reducing human resources through restructuring were all superficial. Rather, I thought we should consider this as an opportunity to remake the constitution of Honda fundamentally. However, it would be an extremely difficult thing to do. No reform would be possible unless we reformed the mindset of the people as a starting point. That is because true reform is not achievable without changing the mindsets and ways of thinking of the people involved.

So, I said at the beginning that if necessary we could change the Company Principle. I even said that we could end up denying Hondaism to that date. I kept saying that we should have no hesitation changing outdated things even if they were things done by our predecessors. And I also kept saying we should establish no untouchables and keep on challenging in a forward direction. In fact, we edited the Honda Company Principle, and in 1992, we issued the Honda Philosophy, a globally shared company philosophy. After all, we rarely needed to change the Company Principle. This fact enabled us to reaffirm the well-established outstanding nature of Honda's origin and made us recognize the importance of sharing it thoroughly.

Because it was a difficult thing to understand only through verbal explanations, two vice presidents, Mr. Irimajiri and Mr. Munekuni, and I branched out and took a "two-way" tour all over Japan. Through this tour, we visited sales offices, local branches, factories, and many other actual places and asked associates to say what they wanted to say, and we also said what we wanted to say very frankly. We did this because we thought it was necessary to draw the opinions of associates at the spot, communicate with them, and change the mindset of each associate.

After this cultivation process, we introduced TQM (total quality

management) as one of the means. It was a top-down management tactic. Based on this TQM, we shifted our direction from the previous way of working which centered on experience, instinct, and courage to the new way of working based on objective facts. To be more precise, I started evaluating every associate from the director level down to managers by holding one-on-one review meetings. We discussed the purpose and goals of work, how to reform the way we work, whether or not the reform goals were achieved, why goals were not achieved, what comes next after achieving the first set of goals, and so on. Through this, we changed our way of working by piling up reform efforts one after another. This was the method to achieve our goals without wasting resources, while constantly measuring the effectiveness and efficiency as progress was checked at each step. I did not let go until TQM was firmly installed. I did it with persistence. In a peak year, I spent about 70 days in one year touring all over the place including the U.S. to implement the TQM evaluation.

Furthermore, I pressed forward with reforms in the organization's operation and human resources. The global organization was changed to accommodate the introduction of four regional headquarters for our automobile business and business line operations for motorcycle and power product businesses. For managerial positions, a fixed-term system and annual salary system were introduced. I downsized budgets, suspended F1 activities even though we were constantly winning, and even went so far as to make people take the cheapest economy class flights for overseas business trips. We reexamined our culture, in which we were doing a lot of *y-gaya* discussions, but making no decisions, and we clearly defined the roles and responsibilities of the executive office in order to speed up decision making.

I did it feverishly. I was desperate. Now that I think about it, I am surprised that my body held up. It was a natural thing to get

some resistance when this level of reform was carried out. I was disliked and hated. I heard various criticisms. However, I still believe that it was the only way we could reform the constitution of the entire company in these rapidly changing times.

## **The Start of The “800,000 Unit Plan”**

**2006**

Over the course of time, the appreciation of the yen slowly continued and reached 100 yen to the U.S. dollar, and in 1995, the yen marked a post-war all-time high of 79.75 yen to the dollar. The Japanese economy started to show a downturn when the bubble economy burst. Under such circumstances, consolidated financial results for the fiscal year ended March 31, 1994, marked the lowest profit in recent years. It came down to the point where we did not have much money left after paying dividends to shareholders.

The progressive appreciation of the yen and the trade conflicts taught us that our way of doing business based on exports would not work. In addition, due to the economic slowdown, the Japanese automobile market kept shrinking. We faced a crisis situation where Honda’s annual domestic production declined more than 30% from the peak of 1.4 million units and fell below one million units in 1994 and 1995.

Under the new organizational structure installed in 1994, we changed the conventionally used word “domestic” to “Japan regional sales operations” for the purpose of strengthening the foundation of business in Japan. If our Japan operation, which is our home territory, is not strong, we could not hope for autonomy of overseas operations. We started implementing a strategy named the “80 plan” to secure production of one million units



as a survival requirement for Japan operations and to establish a regime under which domestic sales of 800,000 units is constantly achieved. To achieve this plan, we decided to strengthen product development for the Japanese market and to maximize the effectiveness and efficiency of both production and sales. I asked overseas operations for a little patience and concentrated our company resources in Japan. We knew this was going to be a difficult goal to achieve. It was a really hard goal considering the fact that the volume of domestic sales back then was 540,000 to 550,000 units. However, we could not make a comeback unless we took on a challenge, so we determined to do it.

## **A Job to Develop and to Sell a Product**

**2006**

In order to strengthen our Japan operations, the product was the top-priority issue that needed to be addressed. The key to regain Honda's vitality was the product. And we knew that failing to create products which customers want to buy would not be what Honda was supposed to be about. In reality, however, what customers wanted and what Honda produced were not well matched. In the market, RVs (recreational vehicles) and minivans were rapidly gaining in popularity; however, Honda did not have any models in those categories. Back then, popular RVs and minivans of other automakers were built based on trucks, therefore with no trucks Honda didn't know what to do.

Honda generates good ideas especially when we are in trouble and as we get pushed into a corner. Because we are pushed into a corner, we can somewhat quickly come up with a completely new product which almost denies the trend of existing models to date. Coming up with new products must be possible as we

break away from past trends and go back to our origin and principle.

We clearly wanted minivan and RV products, and it was clear that we must offer such products. Under such circumstances, members of R&D carried out a detailed study of our production lines and figured out that we could build a minivan using the Accord platform. Our production line was designed exclusively for passenger car production, but the new idea was to make a minivan on that line. Because Accord has a low floor, even if we set the cabin height necessary for a minivan, the total height of the vehicle will not get any higher, therefore we can use our sedan production line. It was a victory for those members who never gave up and persistently thought at the spot in the factory while facing real things, instead of thinking at the R&D center.

This is how Odyssey was developed. Until then, there was no front-drive minivan in Japan; however, it was a good idea. When the first prototype started running in the development process, I immediately went to test drive it. I thought it was great. It drove well, and it was comfortable. Above all, it was a rational vehicle. Making something rational is the essence of mobility. To that date, minivans in the market were truck-based and heavy like elephants. Therefore, I was sure that Odyssey could offer new value in the minivan market.

In time, different associates came up with CR-V based on Civic. For urban driving, CR-V was much more comfortable and a less wasteful vehicle than a full-fledged four-wheel drive off-road vehicle. When the development plans for Odyssey and CR-V started rolling, I realized that these products would make customers happy. Therefore, I thought we should take one more step forward and develop a strategy positioning these products as a core. So, we planned products such as StepWGN and SM-X, developed these vehicles at a furious speed, and intro-

duced them to the market all together. It was just like Hideyoshi Toyotomi's strategy to build a castle overnight to attack Mino. By the time people started to notice, it was already there. Of course, we made efforts to reduce the cost in order to gain price competitiveness.

Once the developments of a range of good products were conceived, we next had to think of sales. It is difficult to continue conducting a business stably unless two wheels of a vehicle – products and sales – are rolling well together. Moreover, our plan was to increase sales volume by 45% compared to the sales result of 1994, thus we had to install sales capabilities appropriate for the goal.

Among other things, the expansion and strengthening of the sales force was the top priority. Toward this end, we loaned or dispatched some Honda associates to sales dealers. Moreover, in addition to associates from the sales department, we put many associates from factories on the forefront of sales efforts. With an unfamiliar job and environment, those associates worked hard as part of the sales staff and achieved a great result.

These strategies enabled us to quickly build a defense line and win back the market for a time. It was an all-out war which involved everybody including R&D, production, distribution, sales, and partner companies. I reconfirmed how strong Honda is when we have clear goals and get jump-started toward such goals. I reaffirmed this as the constitution of Honda.

Meantime, though we optimistically declared the sales goal of 800,000 units, we learned the goal itself, which was to continuously achieve sales of 800,000 units, was not yet realistic. Beginning around 1996, the yen started depreciating, and thus we started getting some profit from changes in the foreign exchange

rate. Because that profit was not a result of our efforts, we put it all in the domestic sales budget and took on the challenge of 800,000 unit sales in the following year. As a result, we did achieve the sales of 800,000 units, but we ended up realizing various realities such as shortages of space to store vehicles, sales staff, and services. However, I think that realizing such issues was the biggest gain for us.

The lesson I learned then was that we accomplish a result only because we keep on challenging. I thought we should try at least once even if the challenge looks impossible. If we try, we better understand the reality of what we can do and what we are missing.

The reason why I could take initiative in doing this kind of things while being an amateur in the area of sales was not because I was confident, but because I had visited dealers and knew their faces in person. Because I touched the hearts of those people at the dealers, I think that we had some kind of heart-to-heart connection.

## **If We Desire Changes, We Come to Clearly See The Future and The Origin**

**2006**

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After all, what I did from 1990 to 1998 when I was given the role as the president was that I saw a dangerous hairpin turn right in front of us, and thus I turned the steering wheel with fierce desperation. I turned the steering wheel because I knew that if we kept on going without doing anything, we would have gone off the track, and in the worst case would have had a crash. However, Honda, which had grown very big, was like a

vehicle with very bad understeer and did not turn itself no matter how much I turned the steering wheel. Facing a hairpin turn, I had to down shift, use some braking, and turn the steering wheel. Even when I started feeling the vehicle finally turning, a hairpin turn made it unstable and caused slower speed due to a tail slide or the tires bending in the turns. So, I tried to make corrections by using counter steering. I tried to clear the dangerous hairpin turn as quickly as possible.

If we look at reform from a completely different angle, it is similar to a demolition. Unless demolishing the existing shape, we cannot envision a new shape; therefore, a reform is fatalistically associated with demolition. Because the existing shape is a safe refuge for many people, carrying out a reform on one's safe refuge is a painful job to do. In that sense, everybody did a wonderful job. Everybody well bore hardship and continued moving forward.

Carrying out a reform is not just painful, but it lets us see the hope. When the reform makes steady progress, we start to see reasonable results in visible ways. Once we regain our strength, we can do things we wanted to do.

For instance, we realized that innovating our factories worldwide would result in improved production efficiency and also enable us to better handle global economic trends. As for global strategy, because we learned about the intensity of U.S. politics and economy by witnessing it, we came to think that we should aim to achieve 100% local content in the U.S. Then, to avoid relying too much on the U.S., it was necessary to solidify the operation in the Americas as a whole by strengthening our Canadian operation and by establishing business bases in Mexico, Central America, and in Brazil, South America. Honda's principle of building our products close to our customers is very much appropriate in the era of globalization, and I think we need to

further accelerate our idea that local people think locally and sell locally. As a result, when each operation becomes autonomous, problems related to currency exchange will be solved. We expanded locally managed operations as we believed in the concept of Global Honda, which was an aggregate collection of autonomous local operations. Preparing for the need to build local production factories, we planted seeds not only in the Americas, but also in Thailand, India, and China within Asia as well as in the UK within Europe. Like that, we started to clearly see the directions for us to move on and the issues that needed to be addressed. I think that was why we could take various measures which prepared us for the near future.

As one of means of reform, we implemented TQM. I think it functioned well to eliminate waste and improve efficiency and profit margins. However, I was thinking that the tool called TQM must be put away in the warehouse after we are done using it because it would make it difficult for us to highlight our creativity.

After we made the turn and became ready to accelerate, I stepped down as the president. What I conveyed to the next president, Mr. Yoshino, was that he should go ahead and deny my jobs which became unnecessary in order to accelerate. I told him that it was time to accelerate toward the future, thus he should not hesitate to abandon what was needed to make that turn.

The reason why I felt that way was – though it was unexpected by me until I actually felt it – realized that reform does not change Honda's origin and there was no way to change it ever. The purpose of the reform was to enable Honda to be what it is supposed to be even in the 21<sup>st</sup> century, and that is what our co-founders, Mr. Honda and Mr. Fujisawa, always told us. Even if the world goes through dramatic changes and the times change,

Honda should remain what Honda is supposed to be. Everything goes back to our fundamental questions; what Honda can do for our customers and society and what we have to do to achieve that. Those who took on a challenge and accomplished a difficult task to reform the constitution of the entire company were the individual associates of Honda. I could confirm that the origin of Honda, supported by such associates, exists absolutely unwavering. In other words, the origin of Honda, which the two founders were talking about, did not need to be changed at all. To the contrary, we reconfirmed the origin while we were going through the reform.

This was my experience. In retrospect, the history of Honda to date is the history of accumulating challenges to stay ahead of the times. I think that is the origin of Honda and the Honda way of life. As one Honda associate who pursued a large reform in the era of rapid change during the 1990s, I witnessed that Honda's origin that Mr. Soichiro Honda and Mr. Takeo Fujisawa left for us lived freshly, and I believe that this origin is the life of Honda.

## Hiroyuki Yoshino

Nov. 2, 1939 : Born in Fukui  
Prefecture

Apr. 1963 : Joined Honda R&D Co.,  
Ltd.

Jun. 1990 : Assumed the position  
of Senior Managing  
Director of Honda Motor  
Co., Ltd.

Jun. 1998 : Assumed the position of  
President and CEO

Jun. 2003 : Retired as President and  
CEO

Present : Director and Advisor





This chapter has been put together based  
on an interview conducted in September 2006  
for the publication of the present volume.

## Significance of The 50<sup>th</sup> Anniversary

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2006

I assumed the role as the president in 1998, the 50<sup>th</sup> anniversary of the foundation of the company. Frankly speaking, I thought that the appointment as the president of Honda was just like a regular personnel change, it was not like a person who wants to be the president becomes one.

To that date, I was working with Mr. Kawamoto, the president at the time, playing a role to promote the reform of the entire company in the 1990s, therefore, I assumed the role of the president with the understanding that my job would be to continue carrying out the big reform and to smooth the ground after the reform.

Using the 50<sup>th</sup> anniversary as an opportunity, Honda's "2010 Vision" – to become a company that the society wants to exist through creating new value, glocalization, and commitment for the future – was broken down into various initiatives and every part of the company just started undertaking such initiatives. Therefore, my job was to steer the company management in order to continue the reform and make Honda a company with greater vitality and presence.

Actually, I thought that taking the role as the president was not an exact fit with my personality, and thus I asked for some time to think about it. I remember Mr. Kawamoto asked me if there was any other appropriate person who we could convince to accept. Now that I think about it, anybody who understood the true intent of the reform could do the job as president. I worked and built up experience in various areas, however, – I am not trying to be modest – I think there weren't so many things that only I could achieve. In the first place, Honda is a company comprised of the efforts of all associates in the development

and sales of products which make our customers happy, while people at the spot are exercising their own abilities. Therefore, as long as we are aiming our sights in the right direction, most things work out for us. I thought that the most important thing for a person who plays the role of president of Honda was to believe in this approach to our work, which is unique to Honda and in the abilities of people.

When we compiled the company history for the 50<sup>th</sup> anniversary, I was able to have some time to retrace the path taken by Honda. I also had the opportunity to have face-to-face talks with friends of Honda, business partners in areas including production and sales, and people involved in racing activities, who attended our 50<sup>th</sup> anniversary events from all over the world. What I thought during such time was something very meaningful and valuable. Honda is a company which has been advancing while maintaining its autonomy ever since its establishment. By this, I mean to think on our own and to determine our own way to move forward. I reaffirmed that Honda had been doing so for the past 50 years. And I realized that friends of Honda from around the world are people who positively acknowledged this way of Honda. The 50<sup>th</sup> anniversary became an opportunity to thank our founders and predecessors as well as to look back and think over the history of Honda. I think that the 50<sup>th</sup> anniversary also became an event to reconfirm the current status of Honda and continue to move forward with a fresh mind.

## **“Spirited Independence” Which Enabled Us to Break Through The Era of Convenient Mergers and Business Alliances**

**2006**

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Right after the change of Honda president from Mr. Kawamoto to me was announced – I remember it was 10 days later – the merger of Germany’s Daimler-Benz and the U.S.’s Chrysler was announced. As if it became the starting signal, a series of cross-border M&As and business alliances took place one after another with capital involvement among automobile companies.

It was the beginning of the global reorganization of the automobile industry, or an era where companies formed business alliances conveniently based on the interests of that time. We experienced big waves of changes in the global economy, symbolized by the appreciation of the yen, and then, drastic changes just happened in global politics, represented by the end of the Cold War structure. Then, next, the reorganization of the global automobile industry started and we entered the era of mergers and business alliances with capital involvement.

This era started and progressed, and the global automobile industry was reorganizing based on the goal of creating greater capital size. What was I thinking? I think I was thinking the same way that most Honda associates were thinking.

Honda will maintain its independence. There is no other way of life for Honda. We are forming a group called Honda just for that purpose. We had a very strong will.

There was nothing simpler than this. Ever since Mr. Soichiro Honda founded it in 1948, Honda has maintained its self-reliance and independence. Put simply, Honda does not know any

other way to live.

So, I did not get worried or anxious at all. Honda is a company that lived while maintaining its autonomy for 50 years, thus after all these years, even if we were told that we entered the era of convenient M&As, we had nothing special to say. If someone asked if we got lonely and anxious, I could only answer, "We are lonely to begin with. So, even if we were to have anxiety, that would be an everyday thing and nothing special." That is because Honda had traveled the path of autonomy for the 50 years since its foundation.

It was not just me thinking this way. I think everybody working at Honda naturally thought this way. I think most people who are joining Honda are not simply looking for a stable life, but have something they want to do and accomplish. We want to boost ourselves, or I should say, we want to achieve self-fulfillment. Each person has a unique and big dream, such as development of the world's best performing engine. I know this very well because I am one of them. We want to be with Honda where we can do things we cannot do with other companies. For this reason, maintaining autonomy is an obvious answer.

Taking such a global situation and Honda's way of life into account, I chose the phrase "spirited independence" as the slogan for the mid-term plan.

The feeling and idea I put into this slogan was that I wanted each individual associate of Honda to possess "spirited independence." With that, I thought that a company called Honda would consolidate the energy of each associate, and naturally travel the path of "spirited independence" while overcoming challenges and difficulties. In fact, this "spirited independence" was exactly how Honda had lived ever since its foundation. While acknowledging this fact, we must build up an even stron-

ger and more independent Honda for the 21<sup>st</sup> century especially because we are in the era of convenient mergers and business alliances. Because Honda is a company which always kept on challenging, we must each maintain a high level of initiative and work everyday toward such an ideal. The slogan I chose had these messages. I think that we could overcome the era of convenient mergers and business alliances while perfectly maintaining independence because everybody realized the importance of such things and kept challenging for high goals.

## **If The World Joins The “4-Million-Unit Club,” Honda Is Already a Member of The “20-Million-Unit Club”**

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**2006**

When the era of convenient mergers and alliances began and some automakers actually started to merge or form alliances with capital involvement, an increased number of meeting requests from automakers around the world started to come in. So I ended up holding meetings with top executives of various automakers. My impression after listening well to the opinions of each company was that they talked mostly about management issues based on the capitalistic logic, such as something about a value-chain. I thought they rarely had an idea that the way of life of each person who works there determines that company's existence. After all, I came back to the obvious conclusion that Honda better maintain its independence.

Put simply, it is a question of whether we prefer to walk alone or three-legged with a partner. I think walking alone definitely gives us more freedom. One of Honda's strengths is speed. Speed in racing, but also in our work is a strength of Honda. To

take advantage of such speed, it goes without saying that running alone is absolutely faster than running three-legged. This was reconfirmed in our experience of working together with Rover in the UK under an alliance.

As the era of convenient mergers and alliances moved into high gear, we started hearing the term “4-million-unit club.” In short, it was like an indicator to imply that automakers with annual production of less than 4 million units could not exist as an automaker. It did not seem to be a scientifically proven number and, thus, I was simply thinking that number was picked based on the reality of the industry at that time.

The first thing I thought when I heard the term “4-million-unit club” was that I have heard this kind of story in the past. There was a time when we were told that without annual production of 1 million units we could not survive. I think Honda’s annual production at that time was about 500,000 units. Then, during the era when annual production necessary for survival was 2 million units, we were producing about a half of it. In short, at any given time, Honda had been producing only about half of the volume said to be necessary for survival. Because Honda was still surviving, the 4 million units was not at all a convincing number to Honda.

Because the logic of numbers is always like a game, simple and easy-to-understand, almost all journalists from the mass media often asked questions about this “4-million-unit club.” It must have been easy to write an article because Honda was the only one who did not join the 4-million-unit club. I always told journalists that based on logic, Honda was far from 4 million units, but that we had 20 million customers around the world including motorcycles, automobiles, and power products. I was not saying that to evade journalists’ questions. I thought that the “4-million-unit-club” was just number-crunching which ignored

various conditions or factors.

## Conditions to Live While Maintaining Autonomy

2006

It was far more important for Honda to conduct business focused on making our customers happy and to establish a solid and profitable business structure than to focus on the number 4 million units. It meant strengthening the business foundation which could not be swayed by the logic of capital. From the beginning, the era of convenient mergers and alliances included the expectation that a large amount of up-front investment would be necessary for the development of the next-generation technologies and future technologies, thus companies would form alliances which involved capital investments and developed such technologies by combining financial resources. On the other hand, Honda thought such technologies must be developed by our very own hands in order to forge our own future. Therefore, we needed seed money for such developments. In short, Honda could not pursue development of our own next-generation technologies if we did not earn a profit. Establishing a business structure which generates profit was very important not only for the purpose of making money, but to earn seed money on our own to forge our own future.

If there was another merit to being in the 4-million-unit club, those automakers had the potential to make it easier to expand their business around the world and to establish complementary relationships for parts supply by forming alliances beyond country borders.

However, Honda had already been doing that on our own because we had been striving to maximize the synergy between



our motorcycle, automobile, and power product businesses by expanding globally. For instance, we cultivate the motorcycle market in a certain country and make a profit there. Once the purchasing power of people in that country increases, we build an auto plant there using the profit earned through the motorcycle business. Or we had already built parts plants to establish a mutually complementary parts supply network worldwide. We had done these kinds of things as our ordinary business practices. To give you another example, when automobile markets in Asia started to show rapid growth in the mid-1990s, we already had motorcycle business in every Asian country, therefore, our preparations to begin automobile business, including human resources, business strategies, production plants, and the parts supply network were ready. Moreover, when the currency crisis happened in Asia in 1997, many automakers which had invested in Asian markets got hit hard; however, Honda wasn't hurt as badly, instead we keenly felt the strength of having motorcycle and power product businesses.

So, I was not at all worried about global expansion. As stated in the Company Principle, to become a global company had been one of our philosophies. If we think about satisfying customers, which we already had many of around the world, we would naturally pursue global expansion on our own.

For this reason, I had no anxiety or worry when others started talking about the 4-million-unit club. Instead, I was even thinking that it might be a good thing for automakers around the world to form a few groups because it would cause some sort of homogenization, which enables us to further highlight Honda's uniqueness. Highlighting our uniqueness is the biggest strength of Honda, thus I thought that the 4-million-unit club would let us bring out our strength even more.

Based on these thoughts, I realized that the 4-million-unit club

would not be a compelling barometer for Honda. Some journalists called us the smallest automaker in the world; however, being big or small was not so important to Honda. Instead, I was thinking what was important for Honda was more essential things such as whether each individual associate in R&D, production, sales and any other area was able to exert their abilities to the fullest and whether we were making our customers happy and satisfied. Obviously, most Honda associates were thinking the same way, I think.

## **Introduction of The New Manufacturing System**

**2006**

I first thought about something similar to the New Manufacturing System in the latter half of the 1980s when I was in Ohio in the U.S. as the president of HAM. We were locally producing Civic and Accord in Ohio. Because Civic was built at the Suzuka Plant and Accord was built at the Sayama Plant, associates who worked at the spot in Suzuka and Sayama played an instructive role for us. As usual, associates who worked at the spot at each plant did solid work, but there was one problem. Though they both were talking about the same topic of plant management, those who came to Ohio from Suzuka and those from Sayama said different things. They each had different thoughts and methods, and American associates got confused trying to figure out which was better. Naturally, as I was managing the plant, I also got in trouble. When this happened to me, I thought the same thing must be happening around the world. I also thought that this would someday be a serious problem if we did not make them match. It sounded very much like Honda that the people of each factory had originality and integrity of their own; however, as production became increasingly global, the actual problems of declining efficiency and flexibility that

we never improved started to surface.

Surely, associates at the spot were improving production efficiency by offering their own ideas and ingenuities on a daily basis. Moreover, it was not just Suzuka and Sayama, but associates who worked at the spot of every plant who were offering their ideas and making improvements on a daily basis as if they were competing among themselves. As a result, each plant had unique ideas and methods based on their own originality and ingenuity. I thought this demonstrated the good culture of Honda; however, it was becoming illogical from the perspective of overall efficiency and flexibility.

After all, progress of globalization pushed us onto the stage which required a flexible manufacturing system that enables us to produce a product which satisfies the needs of customers in one region and in other regions as well. So, I thought of carrying out an innovation while leveraging the strength of Honda.

The first thing to do in this situation was to ask associates who actually work at the spot what to do. Then, knowledge which was sharpened at the spot would get combined together and become one big idea. Unlike ideas thought up by outside experts or by a board member in charge of that area, there is no greater knowledge than what those people who work at the spot came up with at the spot. This is because those who work at the spot obviously know the best about what is happening at the spot.

This is how ideas for the New Manufacturing System were generated. If we could carry out this new system and start developing, manufacturing, and selling our products more efficiently, setting a competitive price and increasing proper profit margin per unit would all become possible. As for manufacturing, if we could begin manufacturing our products after receiving orders from customers, we could eliminate excess inventory gener-

ated by a sales forecast production system. If we could establish a production system with such speed, production efficiency would be improved drastically. If we expanded our ideas based on this concept, when the production line at Suzuka had excess capacity, for instance, it would be possible to produce models being produced at Sayama using Suzuka's excess capacity and vice versa. This would dramatically improve the efficiency and flexibility of the domestic production system. Moreover, if we extended this to a global level, we could establish a mutually complementary production system worldwide, which would minimize the impact we get from big waves of global economic change, that is to say, fluctuations of exchange rates or the economic climate.

Ideas for the introduction of the New Manufacturing System were generated this way, however, actual implementation became a major challenge. It might have been natural that it would be a major challenge because we were trying to create one network which connects factories all over the world. However, this difficult job was steadily carried out with great passion, and the challenging spirit of associates, especially young ones, at the spot. In fact, I was surprised by this energy of people. They worked speedily and powerfully, which made me feel confidence in them.

Being the president, all I had to do was determine the concept and direction of the New Manufacturing System as the top management, then tossed it to those at the spot for implementation. With that, all associates at the spot worked together and implemented it. I had no need to interfere in talking about details. I keenly felt this was a kind of power unique to Honda. The reason why I can say this introduction of the New Manufacturing System was an innovation which highlighted the uniqueness of Honda is that the ability of people at the spot was fully exerted in every aspect, from ideas to implementation.

This power was exerted fully when I was asked to deliver the Fit three months earlier than the original plan, and when the Alabama plant was established while achieving record-setting speed in construction of an automobile plant in North America, and began mass production six month earlier than originally planned date.

The source of such power unique to Honda is our management system which allows each operation at the spot to autonomously manage and act so that each associate can exert their abilities to the fullest extent, rather than trying to move the entire company by a centrally managed function. In other words, Honda's business activities conducted under an autonomous organizational management structure, rather than central control, has been the strength of Honda. As we conduct business in various countries and regions of the world, it is natural for us to work dealing with customers who have different traditions and cultures. I think it is impossible even for an outstanding genius to centrally control such business activities. Moreover, because one business unit will be much smaller than the whole company, I think we can stay away from the phenomenon of so-called big company disease to a certain extent.

The introduction of the New Manufacturing System, which was created through the dedication of tremendous effort and energy brought results greater than we initially expected, but it is a job that was completed already 10 years ago. Now, further innovation is in progress based on the New Manufacturing System. Implementing one innovation does not mean our efforts at innovation end. The world economy is constantly changing, and customers needs naturally change along with the times. I believe that advancing while making such changes ahead of their time is the way Honda lives.

# The Era to Develop The Next Generation Powerplants

2006

By the latter half of the 1990s, that is to say, toward the end of the 20<sup>th</sup> century, the arrival of the era of environmentally-friendly automobiles was loudly proclaimed.

We felt that it was a little too late.

The arrival of such an era was obvious to Honda, which, in 1972, became the first company in the world to comply with the U.S. Clean Air Act which took effect in 1975, with the CVCC engine, and had been working on a complete shift to 4-stroke engines for all motorcycles. Ever since our establishment, we always had an ambition not to want to do business with engines which will cause problems for people. And it is a fact that high-performance engines should naturally be low emission.

The 1970 U.S. Clean Air Act was a very strict regulation which required all vehicles to reduce tail pipe emissions to one-tenth of the previous level, and many automotive engineers said that this was an impossible challenge. However, Honda took on the challenge thinking we could do it if we tried. Then we developed the CVCC engine which became the first engine in the world to clear the Clean Air Act.

Based on these experiences, we think that there is no limit to the advancement of technologies. Now, Honda has achieved, ahead of other companies, the technology level which enabled mass production of engines that are cleaner to the level of one-thousandth compared to the engines in use before the Clean Air Act. I have often told this story and said that human wisdom is infinite.

I think that the history of the development of technologies which

make engines cleaner and cleaner is itself the history of Honda's engine development.

As the era of environmentally friendly automobiles started to be proclaimed right before the beginning of the 21<sup>st</sup> century, CO<sub>2</sub> (carbon dioxide) became the key theme, though there were pros and cons discussed for that. The idea was to globally regulate CO<sub>2</sub> emissions in order for human beings not to further harm the earth's environment. In addition, the fundamental issue of the depletion of petroleum resources had been a basis of the CO<sub>2</sub> regulations.

No matter how you think about it, in the world of automobiles, as long as the engine is achieving complete combustion and high efficiency, it is a low-emission engine and is not wasting resources. So, I kept saying, "In short, we need to improve fuel efficiency." High fuel efficiency is what is most appreciated by customers, and high fuel efficiency is the meaning of environmentally friendly automobiles. This was what Mr. Soichiro Honda had kept insisting even before the development of CVCC, and thus this way of thinking regarding engine technologies existed at Honda from the company's foundation and has been passed down to us.

One way to achieve this is to continue developing highly efficient engines with outstanding fuel efficiency. Among recent products, the Fit has been a symbolic product of this type. Another way is to develop hybrid technologies represented by products such as Insight and Civic Hybrid. In addition, there is the direction of alternative fuels, which includes the diesel that is becoming very popular in Europe, or there is the direction of natural gas. I have confidence that Honda is leading others in the area of powertrain technologies.

It is said that the ideal next-generation powerplant is the fuel

cell vehicle. That is a car which generates electricity on its own and drives by an electric motor. We can say that fuel for this vehicle is hydrogen, but it is a system which generates electricity through the chemical reaction of hydrogen. Hydrogen exists infinitely in nature, and water is the only by-product resulting from the generation of electricity.

For such reasons, fuel cell vehicles began getting the spotlight as the ultimate in next-generation mobility. Obviously, we are currently challenging to create real-world fuel cell vehicles. Though it is produced in small quantities for lease sales, Honda's fuel cell vehicle became the first to gain government certification in the U.S. This was the same as CVCC becoming the first engine to clear the Clean Air Act. Winning the number one position is just like winning a championship in racing, thus Honda associates who hate to lose get incredibly motivated and work hard in these kinds of races as well.

However, I have a feeling that mass-media journalists created too much sensation about fuel cell vehicles. There were too many reports which made it sound as if the era of fuel cell vehicle was coming next year, which I worried was being so unrealistic. By all accounts, it will take decades to achieve real world use. This is a mobility which is inseparable from the establishment of a hydrogen society – where hydrogen is serving as the energy for people's lives. Therefore, taking into account the need to establish hydrogen-supply infrastructure, we don't even know if we can achieve a real-world fuel cell vehicle even ten years from now.

What's important is the fact that we are forging the era of next-generation engines through technologies we developed on our own. In other words, the important thing is to forge the future of mobility while we are covered in sweat and grease.



## New Mobility Represented by ASIMO

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2006

I became the first president who worked in tandem with ASIMO. Development of ASIMO was completed at the end of 2000, and ASIMO became a popular person. We have to continue fundamental discussion whether we can actually call ASIMO a person; however, I think it was significant that we proposed a new machine, a humanoid robot, to society. I was also pleased by the fact that many people praised us by saying that they saw in a concrete form, the future of mobility advocated by Honda.

ASIMO danced at the Annual NHK Year-end Grand Song Festival and rang the opening bell at the New York Stock Exchange. ASIMO was much more popular than me – the president of Honda. It became a robot which interested adults as well as children.

Honda introduced the P2 and P3 humanoid robots before ASIMO was completed. P2 was a large and heavy robot which was 2 meters tall and weighted 200 kilograms. We successfully downsized P3 to 160 centimeters tall and 130 kilograms; however, it was still too heavy. So, I asked the development team to achieve a weight similar to mine. The goal was to make it around 60 kilograms. After so many struggles, the development team pursued the idea to lighten the robot by making it short. Then, it became difficult to determine the body proportions. We repeatedly held meetings to evaluate and discuss the design. As a result of these repeated discussions, we adopted the direction to use the body proportions of a child, and the size of other parts such as the head and arms and legs were revised accordingly. Just like the old saying in Japan: “the horse came from a seed pod” [*which translates to “unexpected things come from unexpected places”*] this is how that cute body proportion

of ASIMO was achieved.

Since then, ASIMO has made continuous advancement and became capable of jogging; however, there are still a lot more things ASIMO needs to do in the future. I am hoping that it becomes visible how robots can be useful in the actual lives of people. As a former co-worker of ASIMO, I am looking forward to seeing life with humanoid robots, or to hearing new proposals.

## **What Mr. Soichiro Honda and Mr. Takeo Fujisawa Taught Me**    2006

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I joined Honda Motor in 1963, the year of the 15<sup>th</sup> anniversary. Because I was working diligently on research of a gas turbine engine in one corner of the research center, I rarely saw the founders, Mr. Soichiro Honda and Mr. Takeo Fujisawa, and other executives who supported the company during the foundation stage. But having said that, I knew very well what kind of person Mr. Soichiro Honda was through his speeches at various events at the research center such as New Year's ceremonies and anniversary events. Mr. Honda's speeches jumped around a lot among topics and took unimaginable leaps in a story, and they were fun to listen to. His sense of presence to attract people was outstanding.

Back then, our predecessors worked by the leadership and initiative of each individual, not by organizations. So, people didn't know what others were doing. But still, I sometimes got yelled at fiercely by those who just happened to be there, and I got bewildered by that. I thought what a hard-edged company it was, but I keenly felt the energy and passion of those who supported the foundation stage of Honda.

One day, Mr. Takeo Fujisawa came to the research center. I was there as an assistant to the president of the research center, but he told us frank opinions that we were inconveniencing our customers with quality issues. I still very vividly remember the impression I felt. I thought Mr. Fujisawa's toughness or what scared us about him was that he came directly to the point and talked about the essence of things. Based also on the experience of this time, I launched an initiative to achieve "a new level of outstanding quality." This initiative has carried on to the present days, and I think it will be an everlasting issue.

Mr. Fujisawa left us a phrase, "Carry our own torch." I think these are very important words for Honda that strives to maintain its independence. We go forward while carrying the light which illuminates our way forward by our very own hands. I think his words carry the truth, thus I repeatedly thought about this while I was the president and even now.

As for Mr. Soichiro Honda, he stayed in Ohio for a week or so when he joined the American Automotive Hall of Fame in 1989. I was the president of HAM back then, thus I spent all day with Mr. Honda for the entire week, including all three meals a day. Back then, automobiles sold in the U.S. were required by regulations to be equipped with a passive seatbelt. That is a device which fastens the seatbelt automatically when front-seat passengers get in the car. As soon as Mr. Honda saw this seatbelt, he yelled at me. It certainly was an annoying device. Mr. Honda said, "This causes inconvenience to customers! Get rid of it immediately!" From the moment he got in a car, he put himself in the customer's position, and he got mad on behalf of customers, "Are you selling this kind of thing?" We had to install that because it was determined by regulations. But Mr. Soichiro Honda did not get influenced by such things. In this situation, he would think, "We should invent better safety technologies and propose them to the U.S. government authorities. This seatbelt is incon-

veniencing customers.” I thought he had quite a sensitivity. I got away with explaining our plans to shift to airbags, however, I was made keenly aware of what it means to think from a customers’ viewpoint.

The two founders raised Honda to be a global company in 25 years from the foundation of the company. They were each quite a person who an ordinary person like me cannot ever imitate. Their way of thinking and their mindset are worth calling “Honda’s origin.” My experiences taught me that this origin will be the starting point when we think or make judgments.

## **Honda Philosophy Which Is Universally Understood**

**2006**

The origin of Honda philosophy, regardless of the Company Principle, the Fundamental Beliefs, or the Management Policies, is the actions and words of Mr. Soichiro Honda, Mr. Takeo Fujisawa, and others who were with Honda during the foundation stage. Because it was a philosophy thought out 50 years ago, we needed to reassess it as time changes. During Mr. Kawamoto’s presidency, we had an opportunity to deepen our discussion about reassessing the philosophy. I was the president of HAM at that time and discussed it thoroughly with American staff. After all, we came to a conclusion that there was no need to change the English version of the philosophy.

I committed myself to discuss Honda’s philosophy with diverse Honda associates all over the world, but there was no one who did not understand the philosophy. Everybody said it was convincing and very good.

Through those discussions, I came to believe that Honda’s phi-

Philosophy is in essence a universal idea which is valid beyond time and place, as well as differences in nations, cultures, histories, and thoughts. That is why I always wanted to go back to the philosophy and think and then act on the philosophy, and I told others to do so as well. Because the philosophy is not mere words, there is no other way to hand it down but to act on it and continue talking about it.

While I was working as the president, we entered the 21<sup>st</sup> century. After the year of the 50<sup>th</sup> anniversary, I came to realize that we had not discussed and determined our corporate message with Honda associates around the world. So, we decided to discuss it globally and develop a corporate message, and asked a team led by Mr. Takeo Fukui to summarize it into a message. When the message was determined, I thought with no reservations, "This is it."

That message is "The Power of Dreams."

The chief of the team became the next leader of Honda.



## **TOP TALKS – Honda's Origin**

**POLEPOSITION** separate volume

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# TOP TALKS

**HONDA**