

# THE HONDA WAY: A VISIT TO MARYSVILLE

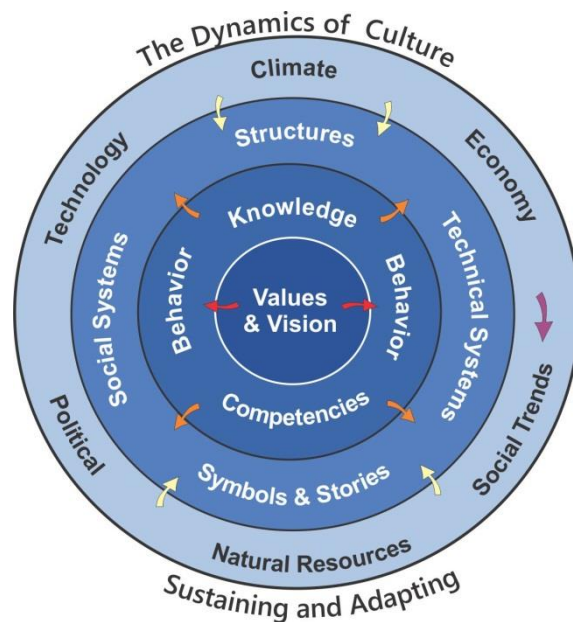
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I wrote the following case study, I believe, in 1989, and was first published in one of my early team manuals at my former company, the Miller Howard Consulting Group. Many of the details may be out of date. However, the important lessons of building and aligning a culture will never be out of date.

As you read this you may wish to consider your own culture and how it has been designed to maximize human performance, quality and customer satisfaction. The following graphic is one way to describe the influences, internal and external, on the culture of any organization. I organized my observations as I visited Honda's plant according to this model.

During the early days of Honda America Manufacturing's operations in Marysville, Ohio, they used my book *American Spirit* as a management development text. This resulted in several invitations to visit and present to the Honda management group and supplier groups. I wrote the following after my first two day visit to the Marysville plants.



I spent two days touring the plants, speaking with managers and production associates, sitting in on meetings, and asking lots of questions. Why is Honda so good? The answer is both simple and complex. It is a combination of technical, or work process design; and, their unique culture.

There is nothing that stands out as their single secret to quality. The secret is - they do everything -and they do it as a team!

I find that in every healthy corporate culture there is a common understanding of philosophy, the values and visions upon which decisions and practices are based. The management practices, the structure, systems, skills, style, and symbols are consistent with the philosophy. At Honda there is clearly a "Team" culture.

Even before entering the building, the philosophy became evident. As we drove toward the plant I noticed lines of newly planted trees. I was told that they were planted by newly hired associates. Each new associate plants a tree "so they can grow with the company." All

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associates (the term used for all employees) know the company philosophy. They see it every day in a hundred ways. They hear it consistently from their leaders. There are no contradictions.

The president of Honda of America is Shoichiro Irimajiri, known as Mr. Iri by the associates. Earlier in his career, Mr. Iri was responsible for managing Honda's successful racing efforts, designing engines and managing production facilities in Japan. He frequently speaks of the "Racing Spirit." The Racing Spirit includes five principles:

- 1. *Seek the challenge.***
- 2. *Be ready on time.***
- 3. *Teamwork.***
- 4. *Quick Response.***
- 5. *Winner Takes All!***

Perhaps more instructive of the Honda philosophy is his story of one of his early racing efforts.

It was in 1965 when Mr. Iri was working on the Formula One racing engines. In the British Grand Prix of that year, the engine failed and it was torn down and examined by Mr. Honda himself.

Examining the failed piston he turned to Shoichiro Irimajiri and demanded, "Who designed this piston?" "I did," he acknowledged. After examining the engineering drawing Mr. Honda roared out, "You! Stupid! No wonder the piston gets burned. You have changed the thickness here."

After the young Irimajiri attempted to defend his design change with some data from previous engines, Mr. Honda roared again: "I hate college graduates! They use only their heads. Do you really think you can use such obsolete data obtained from old, low-performance engines? I have been making and designing pistons for several years. I am fully aware how critical half a millimeter is here. A company does not need people like you who use only their heads. Before you laid out this design, why didn't you listen to opinions of those experienced people in the shop? If you think academic study in college is everything, you are totally wrong. You will be useless in Honda unless you spend more time on-the-spot for many years to come."

"You will go to the machining shop," Mr. Honda ordered the young engineer, "and you will apologize to every person there, for you have wasted their efforts." Mr. Honda followed him down the hall to make sure he did as directed. Mr. Iri recalls that he was only glad that he had no ambition of becoming president of the company. He was not even sure he would succeed as an engineer. He learned his lesson. He not only succeeded as an engineer, designing several successful racing engines, but he became the president of Honda of America, the first Japanese company to export cars back to Japan. Shoichiro Irimajiri still listens to those experienced people in the shop and he is not wasting their time.

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The Honda philosophy stresses to be on-the-spot in the plant and see the problem, touch the part, and gain experience in the actual job, in order to effectively solve a problem.<sup>1</sup> Engineers and management spend most of their time in the factory, in touch with their associates, the product, and the process. The Honda philosophy is manifested in all of the management practices. In the symbols, structure, systems, skills, and style<sup>2</sup>, the philosophy can be seen and experienced every day, by every employee, every hour.

### SYMBOLS:

When I arrived at the Marysville plant I was given a uniform to wear in the plant. I was told that this wasn't given to all guests, only "honored guests." To cover my tie with the white smock with the Honda name, to look the same as every other associate, was an honor. I can assure you that by the time my visit was finished it felt like an honor. To be part of a proud group of people, to share their symbol of equality, caused me to feel a part, invested, in their shared goals.

All associates, from president to newest hired associate, eat in the same cafeteria, park in the same undesignated parking spaces, and managers sit at the same metal desks in open office areas. Most of the desks are arranged in blocks of six, often with paired Japanese and American managers sitting across from one another. All of the managers of the motorcycle plant sit at one block of six identical desks, the Japanese vice-president and the American plant manager sitting across from each other.

As I walked through the plant, the cleanest non-food manufacturing plant out of several hundred I have been in, I observed a vice-president stop and pick up a misplaced object on the floor. There is nothing on the floor. There are also no maintenance people to clean up! Everyone, every associate and manager, cleans his or her own work area.

To many, these symbols will seem trivial. They would be if they stood alone, at odds with the behavior and attitudes of the people, or if the structure and systems stood in contradiction. However, they are one part of a total system, like a well-engineered engine with all components balanced and moving in unison. Symbols, structure, systems, skills and style are all aligned.

### STRUCTURE:

Everyone is a member of a team. The team is the first level of organization. At 6:30 AM each day, every associate meets with his team and team leader. The day's work is discussed and feedback on the previous day's quality is given. Any problems, changes, or concerns are shared during this meeting.

A team is comprised of 15 to 20 associates who work in a common area. As I toured both the auto and motorcycle plant, I stood and watched the assembly line in operation. I asked which person was the team leader and which was the production coordinator, the second-level

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<sup>1</sup> In recent years this has become known as the "Gemba" walk.

<sup>2</sup> These five "S's" have been used by myself and others as a structure of organization design, or "socio-technical systems" design.

manager. It was very hard to find them or distinguish them. I watched as there was an apparent problem on the motorcycle line.

One employee, having difficulty getting a frame over an engine assembly, had stopped the line. He and another associate worked frantically to get the frame in place. It took about twenty seconds for the line to move again. I asked where the team leader was. The other associate, helping to form the frame, was the team leader. The production coordinator was at the next station on the assembly line helping another associate catch up on the placement of electrical wire assemblies. I watched for about fifteen minutes as the team leader and production coordinator (equivalent of first-line supervisor and department manager) worked on the line, smiling, joking, and working hard and fast with their associates.

Nowhere is there a private office for team leaders or production coordinators. They do not remove themselves from the work. They are on-the-spot, seeing and touching the product, gaining experience and solving problems. They are part of the working team.

All managers are organized into teams and solve problems together. The structure of the organization, as well as the physical arrangement of desks and offices, makes group problem-solving a natural and constant occurrence.

Participation in the continuous improvement process is also structured through Quality Circles. NH Circles (NH stands for "Now Honda, New Honda, Next Honda") are similar to quality circles in many other companies. However, at Honda they are one component of a total involvement process which they call of VIP (Voluntary Involvement Program).

VIP includes a suggestion system, quality awards, and safety awards. Twenty percent of all associates participate in circles. The rate of suggestion adoption is 59.4 percent, and 60 percent participate in some component of the VIP process. In speaking with several NH Circle members, I was impressed that they felt the responsibility to see that accepted recommendations for improvement were implemented. They also felt that their circles were different from those in other companies in that they are constantly looking for any improvement in the production process, large or small, and even small improvements are highly valued. They said that the success of Honda was the result of constantly finding small improvements, not just looking for major ones.

#### SYSTEM:

I expected to find systems of employee involvement at Marysville. However, I was somewhat surprised to see the amount of thought put into the positive reinforcement systems. Honda of America practices performance management, or as I used to call it "behavior management." They have found ways to provide constant feedback, recognition, and tangible positive reinforcement for almost every form of desirable performance.

The NH Circle program, suggestion system, quality awards, and safety awards are all tied together with a point system. Every associate earns points by participating in any of these improvement processes. Awards include award certificates, gift certificates, Department Manager's Award, Plant Manager's Award, and President's Award. These also result in points accumulating over your career, and these points can earn a Honda Civic (that's for 2,500 points)

and an Accord (5,000 points), plus two weeks off with pay and airplane tickets to anywhere in the world with spending money.

In addition to hourly or salaried compensation, all associates participate in profit sharing. This profit sharing is an innovation of Honda of America and is not part of the system in Japan. Ten percent of the gross profit generated by Honda Motor Company is shared with associates based on their relative compensation. Good attendance results in another bonus. The average bonus check for attendance in 1986 was \$832. The average profit sharing check was \$2,688.

Performance analysis and feedback is an important part of any total performance management system. In each of the open office areas and in each of the many conference rooms, all of the walls are literally covered with charts and graphs representing different quality and productivity performance variables. The graphs are of every possible variety, some employing Statistical Process Control methods and some simply reflecting historical data with means, trends, and goal lines. Frequently, along with the charts on the wall are lists of causes or solutions to problems. Diagrams of auto parts or production machinery with arrows pointing to sources of problems are also frequent. It is obvious that all of the managers at Honda are in touch with plant performance data.

Another system worthy of mention is the discipline system. There are some fairly traditional and sound procedures for gradual counseling and discipline. However, the unique part of the discipline process is the peer review provided for associates who are dismissed for poor conduct. If an associate wishes to appeal a termination, a peer review panel is formed by randomly selecting six or eight production associates. One senior manager also serves on the panel with equal vote. The panel hears both sides of the case and then decides to overturn or accept the management decision. Nine out of ten times the decisions are upheld by the associates.

#### SKILLS:

The measure of skills is found in the work product. There is no question Honda has highly skilled engineering and quality personnel. Most engineers are Japanese. Hiring and training more Americans is a goal for coming years. Honda is an engineering company. Most of the Japanese senior managers have served as design engineers for engines, including racing engines, or other components.

Having worked at other auto companies, it soon became obvious to me that at Honda the most valued personnel are those with engineering and technical competence. At many other companies, it is the financial managers and management professionals who are most valued. Honda is in the business of making excellent cars. Many other companies are in the business of making money, and, only secondarily, making cars. Honda makes money and does not need layers of bureaucratic managers because they are passionately dedicated to their technology and products.

On the assembly line, there is a process of continual skill development. Associates are rotated from one position to another to broaden their skills and increase their flexibility. Even when applicants are interviewed for employment at Honda, they are asked questions to

determine their flexibility. Flexibility and the development of broad-based skills is a central principle.

At Honda, it is assumed the production associates are intelligent, skilled, and dedicated. They can, therefore, be trusted to manage the quality process. Every associate is a quality control inspector. The assembly process at Honda is based on just-in-time (JIT) inventory and assumption of 100 percent quality parts. Each associate knows it is his or her job to inspect each part to assure conformance to requirements. Any associate can reject a part. If a manager wants the part used after the associate has rejected it, the burden is on the manager to explain to the associate why it should be used. There is a quality assurance department with a team of associates who will call the suppliers regarding any and every bad part. Every vendor is assigned to one associate, who knows exactly who to call, including home telephones, to provide immediate feedback on any deviation from quality requirements.

#### STYLE:

All of the methods described above are held together by people with a sense of humor and a high level of people-to-people skills.

As I interviewed managers, I repeatedly asked them how they felt working for, or with, Japanese managers. I wanted to know if there was any resentment toward the Japanese. I could find absolutely none. I could only find the most sincere respect and friendship. There was no feeling of “us Americans” working for “them.” The reason for this mutual respect became clear the next morning.

Every morning the 10 or 12 managers of the motorcycle plant meet to review performance, solve problems, and make plans for the day. The Japanese vice-president responsible for the motorcycle operations sat at the end of the table. The meeting was led by a manager who was two levels down. There was a lively discussion about the handling of an “almost-in-time” inventory situation that had almost halted production the previous day. There were three or four Japanese managers and about eight Americans in the meeting. One of the Japanese managers was very vocal about how confusing the situation was and how it should have been handled better. Several others discussed what happened and how it was being resolved today. The vice-president sat quietly through a half hour of discussion, never saying anything until the meeting was coming to a conclusion. Only then did he speak out. He had two points. First, he wanted to thank everyone for their efforts yesterday, rising to meet the challenge presented by their problem. Second, he wanted to stress how important it was to meet another challenge that was coming up within the next week. His tone was calm and reassuring.

These incidents, and dozens of others like them, proved to me that the integration of cultures is working in Marysville. The Americans have adopted the Japanese patience and view things from a long-term perspective. The Japanese have adopted, or at least accepted, the American fun-loving familiarity and creativity.

The style at Honda is different than at other Japanese companies and this may be central to their success and initiative in manufacturing in the United States. The traditional Japanese company places a high value on age and seniority. Honda does not. Mr. Irimajiri is a young man

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excited by winning races and building racing engines. Mr. Honda has retired because he believes the company should be run by young men. The first principle of Honda management policy is: "Proceed always with ambition and youthfulness." The second is: "Respect sound theory, develop fresh ideas and make the most effective use of time." The third is: "Enjoy your work, and always brighten your working atmosphere."

Honda now employs 6,000 youthful-minded and creative Buckeye associates in Marysville. That number will be raised to over 8,000 as the second auto assembly plant is built nearby.<sup>3</sup> The U.S.-manufactured content of the Honda Accord is now about 60 percent and will be increased to 75 percent. The Accord is more American than some GM, Ford, or Chrysler nameplates with higher imported content.

As I left Marysville, I didn't leave with the feeling that I had visited a "foreign" manufacturer. Rather, I had the feeling that I had visited something new. I had visited a world-embracing company, with a world-embracing philosophy, as much American as Japanese, perhaps the best of both world. I could also think of nothing that Honda was doing, no secret in either principle or practice, which could not be adopted by any company - if its senior managers were knowledgeable, committed, and would "proceed always with youthfulness."

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<sup>3</sup> That number is now close to twelve thousand employees.