

Interview with Yoshino Hiroyuki President of Honda Motor Co.

Interviewer – Ito Shuichi

Ito: At a time when the Japanese economy remains mired in a recession, Honda reported excellent results for the business year ended March 2002. Why is Honda doing so well?

Yoshino: We are doing just what we should be doing. But exchange rate profits in the first half provided us with a boost. Good performance in Japan and the United States as well as robust sales of motorcycles in Asia also contributed to the good results.

Ito: The latest financial results give the impression that Honda is very strong in the domestic market.

Yoshino: The Fit subcompact car, marketed in the second half of last year, sold very well and made the greatest contribution to the good results.

Ito: When I test-drove the Fit, I found its driver's seat to be very wide for a 1,300cc car. I understand Honda devised various means to expand the driver's seat space, such as placing the fuel tank beneath the chassis. You worked hard to study market needs and customer needs, didn't you?

Yoshino: All automakers were well aware that the Fit class was what they had to focus on. The most important thing was how enthusiastic those responsible for its development can be. It is not easy to grasp market needs and consumer needs. We cannot have a clear image of customer needs even if we listen to what customers say. So, eventually we have to rely on the judgment and enthusiasm of people in charge.

Ito: The Fit subcompact is known as the "Jazz" in Europe, isn't it?

Yoshino: That's right. The Jazz is very popular with European customers. Its production cannot keep up with demand right now.

Ito: About 10 years ago, analysts predicted that the world's automakers would eventually be consolidated into three groups capable of producing five million vehicles. There was talk that even though Honda was making good cars, it would find itself hard-pressed to survive alone because of its corporate size. Global realignment of the auto industry eventually did take place in the late 1990s, but Honda has been successful on its own. As we look back over the past few years, it seems the analysts were off the mark.

Yoshino: That prediction was originally wrong. If corporate size alone determined whether a company can succeed or not, General Motors would continue to expand its market share, while Honda would not have attained its present position. Analysts didn't make their predictions on the basis of facts. If other conditions are the same, bigger companies would gain the upper hand. But, since all conditions are different, talking about company size is really nonsense.

Ito: Honda is small but strong. Isn't Honda offering a business model?

Yoshino: Our business base in the end is customers and markets. We can post good results if we offer products and services supported by customers. We can hardly win the support of customers if, for example, we try to share a vehicle's platform with other companies for the purpose of cutting down on costs and in pursuit of scale merits. If we just follow what other companies do, we won't be doing the right thing. We have to do business focusing on customers. That's all there is to it.

Ito: Development of fuel cell-powered cars and other next-generation cars naturally requires capital. Is Honda's small corporate size not a handicap?

Yoshino: We have been engaged in the

development of fuel cell-powered cars and hybrid cars on a considerable scale. We are perhaps one of the leaders in both of these sectors. Test driving events tell us where we stand now. We have committed a large number of people to these projects and invested a vast amount of money there. Still we have achieved good financial results. So, what is the problem with our size? Size has nothing to do with it.

Not so much money is required in the research stage or in the initial development stage. We will have to spend a considerable amount of money when we change the production system entirely. But the changes do not take place overnight. The production system, which is related to infrastructure and various other things, changes over a long span of 10 to 20 years. So, it doesn't matter. If we have a profit-producing sound financial standing, we don't have to worry about spending money on the development of next-generation cars. Holding motor races costs more. But we do hold motor races and also engage in, for example, robot research, but still we have reported good financial results. So, what's the problem?

Ito: Honda's Asimo humanoid robot showcased Honda Motor's technological strength earlier this year when it rang the opening bell at the New York Stock Exchange. How is research in robots contributing to the development of automobiles?

Yoshino: We started discussing robot production about 20 years ago. I then headed Honda's research institute and told my staff to launch a long-term ambitious project in which work done in the 1980s would bear fruit in the 21st century. We decided to focus roughly on mobile consumer products targeted at general consumers. Our conclusion was a robot or aircraft. The robot we envisioned was, of course, not an industrial robot similar to the one

already being studied by Honda Engineering Co., but a walking robot which would work for people. The staff at the research institute were all romantic. Scores of proposals were submitted by my staff on the type of robots to focus on. Some proposed a pet robot, some a nursing robot and others a partner robot. At the same time, all of us wanted to develop a working robot capable of disposing of land mines or playing the role of a guide dog for the blind. While discussing the technologies needed for such a robot, we agreed that it would require various sensors to function as eyes and ears for sensing things. A robot is moved by actuators, which are composed of many motors controlled by computers. Various types of unmanned vehicles have already been developed. It was quite difficult to determine how humans and machinery share their roles. But, the walking robot and the unmanned vehicle have something in common technologically. The focal point was whether it would be possible to make a robot which can walk on two legs. According to the established theory then, such a robot was impossible to make. So, we proceeded with the project on the assumption that even if we failed to make a two-legged walking robot, we could use such technologies for automobiles.

Ito: A walking robot evokes memories of the cartoon hero "Astro Boy." Bringing such a concept to reality was a tremendous achievement for Honda.

Yoshino: Various elements successfully combined to realize the walking robot. For one thing, mechatronics has rapidly advanced over the past 20 years, which prompted the development of new sensors, actuators and controllers. That offered a tail wind for us. Another was the staff's enthusiasm based on Honda's corporate culture. We have a unique culture, under which employees extend cooperation to their troubled colleagues at the expense of their own work, while managers overlook what they do. In some cases, colleagues from other teams finally joined us and fully cooperated to complete our project.



Yoshino says he wants to live freely with a broad mind as humans have limitless wisdom

Ito: It seems that Honda has a very flexible corporate style and Honda employees are given latitude in their work. Does this culture go back to the time when Honda Soichiro, the founder of Honda Motor Co., was at the company's helm?

Yoshino: Mr. Honda was telling employees all the time to do this job and that regardless of what their assignments were.

Ito: What did you learn most from Mr. Honda?

Yoshino: He was a man who pursued his dream. And his dream was pure. Basically, he wanted to serve the public and people. He left the day-to-day operations of the company to Mr. Fujisawa (Fujisawa Takeo, Mr. Honda's business partner who served as vice president of Honda Motor Co.) and he himself purely pursued his dream. Therefore, I venture to say to our employees that you are allowed to use the company as a place to realize your own dreams. Ideally, what the company wants to do should be the same as what individual workers want to do, because this generates tremendous power.

Mr. Honda urged employees to say what they wanted to do. So I urged them to have at least five dreams and

realize them at Honda, and promised to make efforts to realize them, though the management side, which is not perfect, may not be able to adopt all of them. Incidentally, I never wanted to become Honda's president.

As such, Mr. Honda continued to purely pursue his dream. He was so pure that everyone at Honda believed what he said to be almost right. But sometimes it is difficult to make changes according to Mr. Honda's philosophy right on the spot, because we have to make various arrangements before making changes.

Ito: Nissan Motor Co. is bouncing back under President Carlos Ghosn who was sent by Renault. How do you evaluate Mr. Ghosn's revolutionary way of changing Nissan's management?

Yoshino: It seems to me that Mr. Ghosn is only doing the right thing. From what I have learned from the media, what Mr. Ghosn is doing is little different from what Honda has been doing. For example, Mr. Ghosn introduced to Nissan the cross-function team system, under which staff members from various sections form a project team. But such a system had been introduced by Honda decades ago.

Ito: You don't think Mr. Ghosn has achieved success because he is a for-

eigner, do you?

Yoshino: Mr. Ghosn took over the helm of Nissan when the company was in a serious crisis and turned the company around in a very short space of time. Perhaps he could do so because he was a foreigner.

Ito: Do you see Mr. Ghosn as a rival?

Yoshino: We don't care about what other companies are doing. If we look over our shoulders, we'll forget what we should be doing ourselves.

Ito: Honda's production system reform is almost complete. I understand the reform is aimed at accelerating the consolidation of production processes.

Yoshino: That's right. Take for instance the production of the Fit subcompact. The initial monthly sales target of the Fit was set at 8,000. But Fit sales totaled 20,000 to 25,000 units or triple the target. It involves tremendous work to double or triple car sales from the initial target. Even components makers have a hard time. We initially introduced the Fit into the No.3 line at the Suzuka factory in Mie Prefecture, where four models were being made. Since we had to increase production of Fit cars, we removed all other models from the lines and transferred them to other lines. The No.3 line alone was not big enough, so we had to begin producing the Fit at other lines. Other models on that production line were moved to the Sayama factory in Saitama Prefecture. Without production system reform, such a production line shift would have been barely possible.

Ito: How do you regard the Chinese market? Full-scale production of Odyssey cars will start in China shortly. Do you plan to make the Fit in China?

Yoshino: Sometime in the future. We still do not know whether we sell original Fit cars or a Chinese version.

We cannot sell any type of cars in the Chinese market in the order of hundreds of thousands units. But there is demand for tens of thousands of units. If 10% of the Chinese population can

afford to buy cars, then Chinese demand for cars will equal Japan's. Actually, the Chinese market has not reached that level yet.

China's average income level currently equals Japan's at the time of the 1964 Tokyo Olympics. But the income level in Shanghai and Guangzhou is said to be already close to Japan's income level in the 1970s and 1980s. This means that we can sell Accords, Odysseys or Fits in the order of tens of thousands of units.

We will not succeed in China if we seek to expand our market share at a stroke. We will first improve our sales network and recruit high-quality personnel. We must expand step by step.

Ito: How does Honda expand global markets while maintaining the quality of its products?

Yoshino: Of course, we've had difficulties starting operations overseas. But I am sure that Honda employees work with production associates (or factory workers) more closely than any other automaker in the world. We treat production associates and head office staff alike and do not discriminate between them. We may be better equipped than Toyota Motor Corp. in regard to collaboration between staff and production associates. I think this attitude has a positive effect on overseas operations, especially in Asia. When we look at American and European companies' operations in China, for instance, we can see clear differences in status between the staff and production associates. Staff workers hardly visit factories.

Ito: Is Honda's attitude related to the fact that Honda started out as a small town factory?

Yoshino: Mr. Honda was in the factory almost all the time, yelling at engineers and was personally involved in factory work himself. What Mr. Honda did is now deeply rooted in Honda's corporate culture. I, myself, am also deeply involved in factory operations.

Ito: The bigger Honda grows, the more difficult it will be to maintain such a culture. How can you maintain it? Have

you set up a corporate mechanism for maintaining the culture or are you telling employees of the importance of such a culture all the time?

Yoshino: Both. I have found on various occasions that production associates have limitless wisdom. That is what I have told all my colleagues. For example, a standard auto-making factory has a production line handling 500 units in seven real working hours out of a nominal eight working hours. Two shifts can handle 1,000 units. Production associates will inevitably find out something that requires some improvements if they repeat the same thing every day all the year round. If the staff and production associates are separated as in Western companies, we can hardly make operational progress. The staff doesn't know how best to design the production process and only production associates who actually make cars can do the job. Only the accumulation of wisdom of thousands of workers in a factory can find an easier way of production and ensure stable quality. We encourage production associates to improve things and we reward those who have actually made improvements. This generates the energy of production associates next time. This will continue in a limitless cycle. This can be applied not only to Japanese plants but to companies of all countries around the world as well.

Ito: Do Chinese factory workers have the energy of Japanese factory workers a generation ago?

Yoshino: Of course. But American workers are also highly motivated.

Ito: How about young Japanese workers? It seems that young Japanese have less motivation and less interest in manufacturing things.

Yoshino: Not in the auto-making industry. Young workers in automobile companies are motivated. Thank God that auto workers can see what they made driving around the town.

Ito: So, they derive pleasure from their work?

Yoshino: That's right. Automobile production is a tremendous mega-system. Tens of thousands of workers, including component workmen, are required to complete one vehicle. In Honda, several thousand workers are involved in making one car. Unless all of these workers do complete jobs, a complete car cannot be made. For example, if one worker fails to tighten a bolt firmly enough, the car develops various problems, such as making a noise, even if it does not cause a serious accident. So, all workers of one shift who handle 500 vehicles must work with concentration, although this is no easy task. Unless each worker realizes this, however, we cannot make a good car supported by customers from the bottom of their hearts.

Ito: Honda is doing such a good job. But some Japanese companies have recently been hit by scandals, such as the food poisoning case involving Snow Brand Milk Products Co. and the false labeling of beef marketed by Snow Brand Foods Co.

Yoshino: They were really terrible incidents.

Ito: Such problems are not limited to the private sector. Even the Ministry of Foreign Affairs is also involved in scandals. Following the revelation of these incidents, it seems that Japanese are losing confidence in themselves. They may be wondering if Japanese are really hard workers.

Yoshino: I think Japanese were really hard workers when they were poor. But as they get affluent, Japanese are becoming lax. Japanese are humans just like other people, anyway. Therefore, what we need now is competition. We must be ready to compete in the world. We must have intensity all the time and make efforts.

Ito: How should Japan's manufacturing change? Do you have any idea?

Yoshino: I think we will have to change our viewpoint. For example, we should shift our paradigm from the supply side to the consumer side or household side, and from organizations

to individuals. Otherwise, we cannot achieve major reform. Lately, I am very concerned about the contents of the 2002 *World Competitiveness Yearbook* published by the Lausanne-based International Institute for Management Development (IMD) in late April. The *Yearbook* ranked Japan 30th among 49 countries covered by its survey, in terms of overall competitiveness. Japan ranked at the bottom both in terms of entrepreneurship and in terms of the creation of firms, and ranked 48th in the transparency of government policies. Japan ranked second, only after Canada, in the percentage of population that has attained at least tertiary education, but ranked 49th in terms of whether university education meets the needs of a competitive economy. That is a hopeless situation. Most Japanese do not go further than saying that something is wrong with the IMD survey, but I am really irritated by the fact that Japan is not correctly understood. We must strive to have the country understood correctly. If the survey is right, then we have to think about what we should do.

Ito: The ratings of Japan's national bonds continue to be downgraded as well.

Yoshino: In the automobile industry, a survey company called J.D. Power and Associates rates the quality of automakers every year. Currently, Honda ranks second after Toyota. The rating consists of various criteria and we can see where we stand now item by item. Automakers compete on the basis of the rating. Japan must be more sensitive so as to see how it is observed by countries of the world and how it should behave.

Ito: What will Honda be like 100 years from now? Will it be different from what it is today?

Yoshino: Perhaps, nobody can predict what things will be like that far into the future.

Ito: What will the automobile be like then?

Yoshino: People will continue to move from one place to another. But, petrole-

um will have been used up in 100 years' time. People will perhaps move around using something entirely different from automobiles. But robots will probably have far outperformed humans then.

Ito: In an aging society filled with elderly people, robots may be the most essential thing.

Yoshino: Robots will be greatly advanced in the future, equipped with intelligence and various functions.

Ito: I hope humans will not be replaced by robots.

Yoshino: That's right. But there are three famous principles of robots, which call for robots to absolutely obey what humans say and not to harm humans. These principles will be built into future robots.


Ito: You were repatriated from Manchuria at age seven after World War II. You must have had difficult times then.

Yoshino: I was just a child then and my parents had many difficulties. Our family moved around China for more than a year. After returning to my parents' home in Fukui City, we experienced a great earthquake and lost our house. We were forced to live in a tent for about six months. I then realized that people can survive in an open field. Compared with such hardship, recession or unemployment is nothing.

Ito: Do you have any motto?

Yoshino: I have nothing to bind myself.

Ito: So, you want to live freely with a broad mind?

Yoshino: I would say so, if I am asked such a question. As I mentioned before, humans have limitless wisdom. This is what I realized while developing robots. 

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