

The "Honda Effect" Revisited

Learning 1, Planning 0

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I would like to introduce just one fact here. In one sense, it is the only real fact I know in all of the literature of strategic management.

While debates abound about rationality vs. incrementalism, or planning vs. learning, and great gobs of wonderfully scientific statistics have been collected on the subject (not the best of which is that whole "does planning pay?" literature, which never proved anything), we do have one rather tangible data point. It is Richard Pascale's account by several Honda executives about how they developed on site the strategy that captured two-thirds of the American motorcycle market.¹ What is especially fascinating about this messy account is that it stands in sharp contrast to the brilliantly rational strategy imputed to these executives by BCG consultants who apparently never bothered to ask.²

Honda's success, if we are to believe those who did it and not those who figured it, was built precisely on what they initially believed to be [what Igor Ansoff calls a] "probable 'non-starter'"³—namely, the small motorcycle. Their own priors were that a market without small motorcycles would not buy small motorcycles. Had they a proper planning process in place . . . this non-starter would have been eliminated at the outset—plan "rationally" and be done with it. But Honda was badly managed in this regard, and so a few Japanese managers, riding around on those little things in Los Angeles, were pleasantly surprised. They learned. (General Motors was apparently well managed in this regard, because a product development manager there once told me that they had a mini-van on the drawing boards long before Chrysler ever did but that this "probable 'non-starter'" was scuttled in the planning process.)

We think we are so awfully smart. We can work it all out in advance, so cleverly, we "rational" human beings. . . . We can predict the future, identify the non-starters, impose our minds on all that matter. And why not. After all, aren't we the ones who live in turbulent times? That makes us important, doesn't it? . . .

Of course, we need to think. Of course we want to be rational. But it's a complicated world out there. We [all] know that we shall get nowhere without emergent learning alongside deliberate planning. If we have discovered anything at all these many years, it is, first, that the conception of a novel strategy is a creative process (of synthesis), for which there are no formal techniques (analysis), and second, that to program these strategies throughout complex organizations, and out to assenting environments, we often require a good deal of formal analysis. So the two processes can intertwine. . . .

Winston Churchill is reported to have defined planning as "deciding to put one foot in front of the other." I like to say that strategy and structure proceed like two feet walking: strategy always precedes structure, and always follows it too. And so it is with planning and learning. BCG's mistake was not in what it did describe so much as in what it left out; the critical period of emergent learning that had to inform the deliberate planning process. In other words, strategy had to be conceived informally before it could be programmed formally.

Our problem, in practice and academia, has always been one of imbalance, the assumption that planning (or learning) could do it all. As I see things, long ago we may have been weak on rational analysis, but today we have an excess of it. . . . The "widespread use of explicit *a priori* strategy formulation" in our organizations [may be] exactly the problem. . . . For example, I have come to suspect that Harvard's great success may be business's great failure. In other words, the real danger of the design school may be in providing a seductive model whose superficial "rationality" in the classroom can so easily get promoted into the executive suite.

[Ansoff claims] that rationality saves time. Maybe that is all too true: in formulating detached, easy strategies in case study discussions, later in executive meetings, which are not meant to be implemented, and later cannot be, and in giving all those "whiz kids" a head start down the "fast track." They can certainly tell a "probable 'non-starter'" from a "winner," at least *a priori*.

And let's not let ourselves be seduced by the "facts," or by "science". A score of 1-0 for informal learning over formal planning reflects not the wealth of management practice at all, but the poverty of the performance of all of us at the game of research.

Notes

1. Richard T. Pascale, "Perspectives on Strategy: The Real Story Behind Honda's Success," *California Management Review*, 26/3 (Spring 1984): 47-72.
2. Boston Consulting Group, *Strategy Alternatives for the British Motorcycle Industry*, Her Majesty's Stationery Office, London, July 30, 1975, p. xvi.
3. H.I. Ansoff, *Corporate Strategy: An Analytic Approach to Business Policy for Growth and Expansion* (New York, NY: McGraw-Hill, 1965).