CHALLENGES IN TRANSPLANTATION: HONDA OF AMERICA AND THE SEARCH FOR PERSONNEL

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ABSTRACT

This paper examines Honda of America Manufacturing and its experiences recruiting personnel in the U.S. during the 1970s and 1980s. Honda’s Japanese management faced significant challenges hiring a workforce it considered capable of upholding the firm’s quality standards. In order to meet manufacturing goals, company officials adapted management practices successfully used in Japan to suit American cultural and legal environments. The challenges the firm faced in transferring its management model to the U.S. were at times anticipated, and at other times were not. Nevertheless, as a result of shrewd planning, flexibility, and difficult lessons drawn from experience, the firm prevailed in an American environment.

On April 8, 1988, the one millionth Honda rolled off the assembly line at the firm’s U.S. plant in Marysville, Ohio. It was a momentous occasion at which company executives, hourly employees, and politicians celebrated. Honda had been the first Japanese automobile manufacturer to establish production facilities in the U.S. and, as the April ceremony attested, it had been a successful venture. By the late 1980s, Honda’s Accord model was the best-selling car in the U.S., and overall the company enjoyed a near ten percent share of the American auto market. Honda indeed had done well since introducing its first passenger car in 1967, and firm employees across the Pacific had reason to hope for continued success in the future.

The success that Honda enjoyed in the late 1980s typified the company’s steady progress since it was founded in 1948. The company had arisen from the rubble of post-War Japan, and owed its success to building products suited to the times. Firm founder Soichiro Honda started his venture by producing simple motor bikes that were exactly that - engines retrofitted to bicycles. The bikes were an instant success in a country characterized by poor roads and scarce fuel supplies, and Honda could not produce them quickly enough. As his countrymen grew wealthier during the 1950s, Honda was ready to market larger scooters and motorcycles, the result being that the firm became Japan’s leading motorcycle manufacturer by the middle of the decade.

As a new and upstart venture, however, Honda faced significant challenges as it grew. Unlike the pre-war zaibatsu, Honda did not have established ties to banks and financial institutions, a critical problem in capital-scarce Japan during the 1950s. To further complicate matters, Soichiro Honda’s personal appearance was not exactly that of a successful entrepreneur. He spurned the conventional dark suit and tie of the businessman in favor of overalls and a mechanics cap, both of which were often stained with grease. He preferred the factory to the office suite, and made no pretensions to the
contrary. As a result, Honda did not endear himself to Japan's conservative bankers, and thus his firm relied upon the export market and high levels of worker productivity in order to grow.⁴ Although the firm's aggressive marketing and lean manufacturing techniques were borne of necessity, both practices stood the firm in good stead as it moved forward.

With the completion of its Suzuka factory on the outskirts of Tokyo in 1960, Honda boasted not only the world's largest motorcycle plant, but also the most automated one.⁵ American Honda Motor Co., established in 1959, marketed the firm's goods in the U.S., and by 1964 Honda was the best selling motorcycle in the country.⁶ Hondas enjoyed a reputation for being inexpensive and reliable, enabling the company to gain a solid following among America's youth.

Despite Honda's meteoric rise in motorcycles, however, there were considerable doubts that the firm could succeed in selling automobiles in the U.S. Although the company's fuel efficient passenger car had done well in Japan since its 1967 introduction, the air-cooled two cylinder model was small even by Japanese standards. When Honda replaced it with a somewhat larger vehicle in 1970, however, the firm opted to test the U.S. market. Company executives knew that the small car would not sell in great numbers, but they wanted to start establishing a dealer network for future products, particularly those powered by the company's promising new engine, the CVCC.

As the oil crises shook the world during the 1970s, Honda's fuel efficient cars indeed sold well in the U.S. Although in the early 1970s its products lacked the refinement and reliability for which they would become renowned, Honda automobiles nevertheless grew in popularity due to their efficiency and low price. While growth in the Japanese market showed signs of slowing, demand in the United States for efficient automobiles presented enormous opportunities. Indeed, by 1980 Honda produced nearly 850,000 cars in Japan, of which 77 percent were exported, many to North America.⁷ With American producers continuing to churn out low-mileage behemoths, Honda could readily fill a growing market niche.

Despite the rosy sales outlook, however, Honda saw challenges on the horizon. With the collapse of the Bretton-Woods currency system in 1971, the Yen sharply appreciated in value. In turn, Honda responded by raising prices, but company officials feared there were limits to what consumers would pay. To further complicate matters, Honda and other importers faced increasing hostility from American labor and industry groups. In light of these challenges, in 1974 Honda began exploring the concept of manufacturing in the United States.⁸ By assembling product in the U.S., Honda hoped to insulate itself against currency fluctuations, reduce costs associated with importing, and appease American critics concerned with the mounting trade deficit. While all of this sounded reasonable in theory, however, establishing a plant was another matter entirely.

As a means of testing American manufacturing waters, Honda decided that it would begin modestly by producing motorcycles. Motorcycles were simple to build, and capitalization for plant and equipment was far below that which would be required
for an auto plant. In 1977, Honda announced that it had selected Marysville, Ohio as its site for the new factory, and by September 1979, the plant began producing large touring cycles with engines displacing over 1000cc. Those particular models were very profitable for Honda and, since they were more popular in the United States than elsewhere, Honda thought that building them in America made sense.

While Honda executives believed that U.S.-made goods could be sold at a profit, their more pressing question was in regard to quality control. Technology, machinery, and engineering expertise could be transferred from Japan, but finding an American labor force capable of high quality standards remained an open question. The personnel factor was the most open variable in the transplantation process. If high quality work standards could be achieved, then the firm would consider manufacturing more complicated products such as automobiles; if standards were not met, the motorcycle venture would be abandoned.

Since consumers ultimately perceived no differences between the firm's American-made cycles and those made in Japan, Honda decided to forge ahead with auto production at its Marysville site in 1981. By so doing, Honda committed itself to enormous new investment and hired a workforce that numbered over 2,000 by 1984. Dignitaries at the official ribbon-cutting ceremony included firm executives, current and former Ohio governors, and even Japan's ambassador to the United States. At a time when Japanese auto manufacturers were agreeing to voluntary import limits under pressure from American officials, Honda was the lone Japanese manufacturer able to increase U.S. sales due to its American production capacity.

Given the gloomy condition of the U.S. auto industry in the late 1970s and early 1980s, it was good news indeed that an automobile manufacturer was hiring. As the 1980s unfolded, Honda added thousands to its Ohio payroll as new production facilities were added in Marysville and the nearby communities of Anna and East Liberty. While the pace of growth was exciting, there were difficulties for managers at every turn, ranging from securing reliable parts suppliers to adopting American accounting standards. The most vexing and unfamiliar problem of all, however, was hiring reliable employees for the assembly line.

In Japan, workers were recruited directly from reputable vocational schools, the armed forces, or upon the recommendation of proven Honda employees, but obviously the firm had no such network upon which to rely in the United States. Moreover, America's ethnic and racial diversity, together with the large number of women in the workforce, was alien to Japanese executives. Almost by definition, Honda's workers in Japan were ethnically homogenous, and women were rarely understood as having careers. While the company could replicate many of its practices in the U.S., managers would inevitably encounter a very different labor pool from which job applicants would be hired. It becomes critical, then, to consider who Honda ultimately did hire, and why. What attributes did Japanese managers seek from applicants, and how did they identify those who would succeed in the company?

In response to such queries, Honda had a ready, if somewhat vague, response. It said that its primary goal was to hire people who were compatible with the company's
employment philosophy that it dubbed the "Honda Way." In short, the Honda Way emphasized a team approach in the workplace. Instead of rigid job descriptions characteristic of American auto factories, Honda's factory personnel had the title of "assembly associates," and needed to be willing and able to perform a variety of tasks as needed. The Honda Way stressed that each worker's input was encouraged and valued. To further underscore the team concept, all employees, from the factory floor to the president's office, donned identical white uniforms with patches bearing their names. In order to stress unity among employees, everybody ate in the same cafeteria, and even small privileges such as reserved parking for executives did not exist.  

According to Honda vice president Hayano Hiroshi, the company sought, "very fresh people, like blotting paper," who did not have preconceived notions about work in an auto plant. Honda believed that "fresh people" would be open to its production methods, emphasis on quality, and other matters associated with the Honda Way. Job applicants were tested on a variety of skills, including math, reading comprehension, manual dexterity, and problem solving. Each new employee that was hired received 12 hours of classroom training before setting foot on the production line, and received an additional 12 hours of training each year thereafter.

Questions still lingered, however, as to who would ultimately be hired, particularly in light of remarks made by leading Japanese politicians during the 1980s. In 1986, for example, Prime Minister Nakasone remarked that, "In the United States, because there are a considerable number of blacks, Puerto Ricans, and Mexicans, the intellectual level is lower." In a similar vein, a Japanese cabinet official noted that,

They use credit cards a lot. They have no savings, so they go bankrupt. If Japanese become bankrupt, they think it serious enough to escape into the night or commit family suicide. But among those guys over there are so many blacks and so on, who think nonchalantly: 'We're bankrupt, but from tomorrow on we don't have to pay anything back.'

To American observers, the pattern seemed clear. Japanese leaders perceived Americans as irresponsible and burdened by the presence of racial minorities. And if Japan's political leaders held Americans in such low esteem, many wondered if Honda's Japanese executives shared that opinion.

Without question, racial and ethnic considerations were a factor in the site selection process for many Japanese firms directly investing in North America. The quasi-official Japan External Trade Organization (JETRO), for example, provided detailed census information of the United States to Japanese companies wishing to invest in the U.S. As one Japanese executive explained, managers attempted to recreate the successful operations they had in Japan, which to many implied 'how do we get American workers to act like Japanese.'

As Canadian auto consultant Dennis Des Rosiers found,

[The Japanese] ask for profiles of the community by ethnic background, by religious background, by professional makeup. They want to know how
many accountants there are in the area versus how many farmers.... There are demographic aspects that they like. They like a high German content. Germans have a good work ethic - well-trained, easy to train, they accept things.... They probably don't like other types of profiles.16

In light of all this, skeptics wondered how Honda would behave in Ohio. Who ultimately would qualify as the ideal job applicant capable of accepting the Honda Way? Were ethnic or racial groups profiled so as to include some at the expense of others? During the mid-1980s, the Equal Employment Opportunity Commission launched two separate probes into hiring and promotion policies at Honda that suggested discriminatory patterns indeed existed. In the first case, Honda was accused of discriminating against 85 individuals on the basis of age. The 85 individuals claimed that they had been denied jobs in 1984 and 1985 because of their age, but then had been hired at a subsequent date.17 In the second probe, 377 employees charged similar discriminatory behavior on the basis of race and gender. As in most investigations of this nature, the proceedings advanced at a slow and deliberate pace.

Before the government concluded its inquiries, however, Honda reached a settlement with the disgruntled workers and the EEOC. In June 1987, Honda agreed to pay over $450,000 in back wages to the 85 employees who alleged age discrimination.18 In addition, the agreement subjected the company to government oversight of its hiring practices for the next three years. Honda agreed to advertise in local newspapers and on radio stations encouraging people over age 40 to apply for jobs if any became available in the future.19

In March 1988, Honda settled the race and gender discrimination case with EEOC involving the 377 employees. Though the workers were all on the Honda payroll by the time of the settlement, they alleged discrimination when they initially applied for jobs beginning in 1983. According to then-EEOC Chairman Clarence Thomas, the settlement resolved,

an investigation of systemic discrimination under Title VII of the Civil Rights Act of 1964. It provides $6 million in monetary relief and seniority adjustments to approximately 370 specifically identified black and female individuals who applied for jobs at Honda between 1983 and 1986.20

Though the wording of the 1987 and 1988 settlements was similar, the monetary expense to Honda was considerably higher in the race and gender case.21 On average, the 377 individuals in the case received nearly $16,000 in payments, or more than three times as much as the 85 people in the earlier suit. Honda sources said that the company agreed to the settlement in order to "bring this [the investigation] to a close."22

According to Honda records, 3.4 percent of its 5,430 employees were black, and 25.8 percent were women.23 Interestingly, the percentage of African American employees precisely mirrored the percentage of blacks living in Union County, Ohio where the Marysville assembly plant was located. Since the county's population, however, could
not meet Honda's staffing needs EEOC investigators looked to the racial composition of a 30 mile radius around the plant from which Honda's likely hiring pool would be drawn. By so doing, investigators found that approximately 10.5 percent of the population was black, suggesting that blacks were indeed under-represented among Honda's workforce. As part of the settlement, therefore, Honda agreed to expand its recruiting base, with specific efforts aimed at hiring blacks. The news was particularly welcome to black civic leaders in Columbus, an area Honda agreed to focus upon, since its unemployment rate among African Americans was nearly 14 percent in 1988, roughly twice as high as the rate for the city as a whole.

As to the number of women employed at Honda, the firm's records revealed that females comprised 25.8 percent of its U.S. workforce, far greater than the percentage of female employees at General Motors, Ford, Chrysler or, for that matter, the parent company in Japan. Women apparently performed well on Honda's employment tests, and were sufficiently "fresh" to adopt the Honda Way. Despite the comparatively high percentage of female employees, however, Americans remained under the supervision of Japanese managers. Since these men were unaccustomed to working with large numbers of female employees in Japan, their behavior, particularly in the early days, could come across as sexist to American sensibilities.

As Honda's OEM parts coordinator in Ohio, Denise Garrison experienced the male-dominated working culture at Honda in Japan during a business trip in 1986. According to Garrison:

[Japanese managers] really didn't know what to think of me over there at first, so they put me with six or seven Japanese women who were secretaries, I think. When these women found out what I did, they just couldn't stop asking questions. They asked what I would say if a man tried to boss me around, and I just said that if I was in charge, I would say what to do. They just shook their heads.

As Garrison saw first-hand, Honda's Japanese executives working in Ohio had little by way of experience to prepare them for working with women, especially those in management positions.

Despite Honda's difficulties with its aggrieved employees and the resulting investigations, it nevertheless resolved the complaints and moved ahead. While the EEOC monitored Honda's hiring practices for evidence of discrimination, it did not move to dismantle its testing procedures or other screening methods. Indeed, Honda's search for "very fresh people" amenable to the Honda Way was not cited as discriminatory by the federal agency. Nevertheless, elaborate screening for fresh people would, by definition, eliminate applicants who had industrial experience, and particularly those who had been in unionized settings. Accustomed to weak in-house unions in Japan, Honda wanted to avoid American unions and their sometimes confrontational tactics. In the view of company executives, the Honda Way was predicated on a spirit of cooperation that could be undermined by a union. While obviously the firm could not stop its
employees from choosing to join a union at a later date, it hoped to at least avoid workers who were predisposed to union representation at the outset.\textsuperscript{28}

Of course, regardless of what company executives thought about the Honda Way, the United Automobile Workers union planned to represent the firm’s workers. With a steadily declining membership base, the UAW saw Honda’s employees as a natural addition to its ranks. Although the addition of Honda workers to the UAW would be numerically small, the first Japanese-owned auto factory in the U.S. held great symbolic importance for the union. As far as organizers were concerned, working on an auto assembly line meant being a UAW member, and this was a message that the union wanted to be understood by all.

Before the UAW could secure the right to represent Honda’s employees, however, there was organizing to be done. As a first measure, the union sent representatives to Marysville to distribute literature, hold informational sessions, and provide anybody interested with hats, tee shirts, and buttons bearing the UAW insignia. These were time-honored practices for the union and, as it had hoped, Honda workers picked up the pamphlets left at company entrances, and some were soon wearing UAW embossed items. It was over this issue that company and union officials first found themselves at loggerheads.

In 1980, Honda banned workers from wearing either UAW buttons or hats in the workplace. The company argued that the paraphernalia violated the firm’s dress code of white uniforms. If workers chose to wear a cap, Honda hats were acceptable. Anything other than the standard uniform, however, undermined the concept of the Honda Way. Company executives said that banning the hats had nothing to do with the UAW \textit{per se}. Any hats other than those bearing the Honda insignia were forbidden, and thus the firm claimed that the UAW was not being singled out. Some workers, however, charged that to the contrary, people throughout the plant could be seen wearing caps with the logos of various sports teams or consumer products. They alleged that Honda’s management did not ask these workers to remove their hats, and that only those who donned UAW hats were cited for dress code violations. Not surprisingly, the UAW charged that this double standard was a blatant attempt at frustrating the union’s organizing drive.

As a result of the hat dispute, the UAW filed an unfair labor complaint against Honda with the National Labor Relations Board at its regional Cleveland office in June 1980. The union cited in its filing an incident involving an employee at Honda’s motorcycle plant who had been asked to remove a cap bearing the UAW insignia.\textsuperscript{29} According to UAW representative Joseph Tomasi,

\begin{quote}
This is an example of how they [Honda] don’t intend to abide by the labor laws in our country. We always rely on buttons and T-shirts with our insignia to promote organizing. We believe we have the right to put our caps in the plant.\textsuperscript{30}
\end{quote}

In October 1981, the NLRB sided with the union, and issued formal charges against Honda for violating U.S. labor laws.
Despite the Board's ruling, however, the issue was yet to be settled. Honda refused to accept the judgment, therefore prompting the NLRB to seek court enforcement through the U.S. 6th Circuit Court of Appeals. Before the Court acted, however, Honda and the union settled their dispute. On April 23, 1982, Honda and the UAW announced that the company would allow its employees to wear any cap of choice, so long as it was not for a competitor's product. In a statement released to the press, Honda also said it agreed to cease any opposition to a UAW organizing drive. After nearly two years of wrangling, the cap issue was resolved.

Though the union could claim a victory in the hat controversy, it was a long way from organizing workers at the Honda plant. In November 1985, for example, the union held an informational session at which it served free hot dogs and cold beer, but at a time when Honda employed over 2,500, fewer than two dozen people attended. Nevertheless, the union pressed ahead and asked the NLRB to oversee a certification election in Marysville. The election date was set for December 19, 1985.

Just days before the election was to be held, however, the UAW called for a postponement, filing charges of unfair labor practices against Honda with the NLRB. Specifically, the union listed the following three major complaints against Honda:

1) Honda set out "to chill employee participation" in union activity by holding a poll on October 29, 1985 to gauge interest in the UAW; 2) Honda recently increased benefits, including an extension of Christmas vacation shutdown time, to discourage union activity; and, 3) Honda supported an employer-controlled labor organization known as the Associates Alliance in order to defeat the UAW.

The company denied all charges. According to company executive vice president Yoshida Shige, "We can only conclude that the UAW has taken this step because it knew it didn't have the votes to win."

In February 1986, the NLRB dismissed the UAW's charges, citing a lack of evidence. Confident of its position, Honda in turn notified the NLRB that it sought a new election date to be set within 30 days. The day before a hearing was to be conducted to determine a new election date, however, the UAW withdrew its petition to hold the vote. In a statement released to the media, the UAW said that the climate for an election was poor due to a combination of factors, including anti-union information distributed by the company, and a large number of newly hired employees at the Honda facilities.

Part of the difficulty facing the UAW's organization drive had to do with good working conditions at Honda. Even union officials admitted that Honda was not a bad place to work. According to UAW spokesman Peter Laarman in Detroit,
Laarman's concession was an important one. If the company paid well and offered good benefits, it was indeed a challenge to convince workers that they would benefit substantially by paying union dues. Clearly the UAW would have preferred Honda to be an abusive employer that exploited its work force under brutal circumstances, but such was simply not the case. Without the obvious targets of pay and benefits, the UAW focused its message on the need for Honda to add personnel and slow the speed of the assembly line. Apparently the lure of a more leisurely work pace, however, was insufficient to draw Honda workers into the UAW fold. After five years of organizing efforts, the union retreated.

Conclusion

By 1988, Honda reached several important milestones in its American manufacturing venture: its products were selling well, EEOC-led investigations had ended, and the UAW had dropped efforts to unionize firm employees. To be sure, the company faced difficult hurdles and challenges in establishing a U.S. manufacturing presence. The scrutiny it faced in its hiring practices forced the firm to pay $6.5 million to 462 aggrieved employees and resulted in a period of government supervision. But, with thousands of employees and more than $1 billion invested in plant and equipment, Honda's penalties were comparatively minor. Although the company would not admit to any wrongdoing, it was prepared to pay the settlements and forge ahead.

Of greater significance was Honda's success as a transplant manufacturer. As its millionth car rolled off the assembly line, it achieved what no other Japanese auto company had done to date. American customers bought its U.S.-made products, and Honda's reputation for quality was left intact. The firm's testing and training of job applicants apparently yielded employees capable of matching the efforts of their Japanese counterparts. It was significant that Honda could retain its testing procedures even after its settlement with the EEOC. Without the ability to rely upon the personal networks that supplied Honda with employees in Japan, firm managers were understandably concerned about finding good workers in the U.S. That they in fact could do so was vital to Honda's success on the American manufacturing landscape.

From Honda's perspective, attracting and retaining desirable personnel was key if transplantation could be considered successful. The firm paid well and in return expected employees to act as team players and accept flexibility in job assignments. On the whole, it was a bargain that many were willing to take. To the legions of Americans who bought its products, it was a virtue that Honda could pursue its way.

Notes

ESSAYS IN ECONOMIC AND BUSINESS HISTORY (2001)

3. Honda introduced a limited-production sports car in 1962 known as the S360, but it was not until March 1967 that the firm marketed the N360, a mass-production passenger vehicle in the mini-car segment. While sales of the earlier S360 were slow, the N360 proved an immediate success, making Honda a viable automotive company.

4. In particular, Honda focused on exporting motor scooters and motorcycles to Taiwan, South Korea, and the nations of Southeast Asia.


21. Under terms of the agreement, the EEOC was barred from releasing details of the investigation, the circumstances that led to the complaint, or conditions of the settlement itself. According to a spokeswoman from the federal agency, even the wording of the press release was negotiated between the EEOC and Honda. See Michael McQueen and Joseph B. White, “Blacks, Women at Honda Unit Win Back Pay,” *The Wall Street Journal*, 24 March 1988, 2.


23. Embrey, “Honda to Pay Discrimination Penalties,” 1A.


25. Embrey, “Honda to Pay Discrimination Penalties,” 1A.


28. Honda would be careful, however, not to hire people based solely on the criteria of their views on unions. United States Federal Code Title 29, Chapter 7, Section 158 (3) prohibits employers from screening applicants with regard to pro- or anti-union sentiments.


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34. Robert W. Reiss, "Honda Union Election Postponed," *The Columbus Dispatch*, 17 December 1985, 1B.
37. Christopher A. Amatos, "Election Canceled at Honda," *The Columbus Dispatch*, 18 March 1986, 1A.

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"Unionization Vote at Honda on Hold." *The Columbus Dispatch*, 11 February 1986, 1E.

Wolf, Barnet D. “Top Female Employee Enjoys Honda Challenges.” The Columbus Dispatch, 14 June 1987, 2G.