

Reply to Michael Goold

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The debate between formal planning and informal learning—between cerebral control and insightful adaptation—seems to smoke out all kinds of interesting things. Now Michael Goold has identified himself as a co-author of the BCG Honda report, and argued that because “the report was commissioned for an industry in crisis,” it had to take a “managerial” rather than a “historical” perspective.

Might I suggest that Goold has inadvertently hit the proverbial nail right on the head. To argue that being managerial means the need to ignore the history is exactly the problem. The BCG report erred in its inferences about how Honda developed its strategy, and so misled any manager who read it.¹ Read that report and the implication is that you should lock yourself in your office and do clever competitive analysis. Honda never would have produced its strategy that way. Read, instead, Pascale’s account of the Honda executives’ own story and you get the impression you should sell your Rolls Royce, buy a pair of jeans, and start riding motorcycles around Des Moines, Iowa. There is a critical difference between doing “random experiments” and simply exposing oneself to the chance to be surprised by the marketplace and so to learn.

Reading Pascale’s account, one has to ask: What makes the Japanese so smart? This is a story of success, not failure, yet they seemed to do everything wrong. True they were persistent, their managers were devoted to their company, and they were allowed the responsibility to make the important decisions on site. But when it came to strategic thinking, they hardly appear to be geniuses. Indeed, the story violates everything we believe about effective strategic management (and much that BCG imputed to those clever Japanese). Just consider the passive tone of the Japanese managers’ comments (“events took a surprising turn,” “we had no choice,” and so on) compared with the proactive vocabulary of the BCG report.

If this story is any indication, then the Japanese advantage lies not in their cleverness at all, but in our own stupidity. While we run around being “rational,” they use their common sense. The Honda people avoided being too rational. Rather than believing they could work it all out in Tokyo, they came to America prepared to *learn*. Sure they used their experience and their cost position based on production volumes in Japan. But only *after* they learned what they had to do. The BCG people’s crucial mistake was in skipping that critically necessary period of learning.

How, then, did BCG’s clients actually learn from this report? And what lessons did BCG itself take from this particular bit of history? Did it take a good look at its own performance—do some analysis about the impact of its own analysis?

According to the Commodity Trade Statistics, as shown in Figure 1, British motorcycle and parts exports to the United States, which had been staggering along in the 1970s in the thirty million dollar range, actually collapsed in 1976, the year after the BCG report was published—\$10,170,000 compared with \$25,518,000 in 1975—and by 1980 barely exceeded one million dollars. That was the year the Japanese exports passed the one *billion* dollar mark! By 1990, British exports had dropped to \$495,000.

So much for the result of this practical managerial perspective. I believe that managers who "have neither the time nor the money to experiment" are destined to go the route of the British motorcycle industry. How in the world can anyone identify those "endless, fruitless nonstarters" in advance? To assume such an ability is simple arrogance, and would, in fact, have eliminated many, if not most, of the really innovative products we have come to know. (Proctor and Gamble apparently never dreamed that people would use Pampers other than for traveling; Thomas Watson Sr. apparently claimed in 1948: "I think there is a world market for about five computers.") Analysis doesn't see ahead at all; mostly it looks behind (but not far behind). And then, all too often, it extrapolates the identifiable trends of the past into the future. That is how great innovations end up as "nonstarters" for a time.

The role of management consultants in the fate of the British motorcycle industry becomes especially intriguing when one considers the assessment of Bert Hopwood, a long-time executive with BSA who wrote a book called *Whatever Happened to the British Motorcycle Industry*.

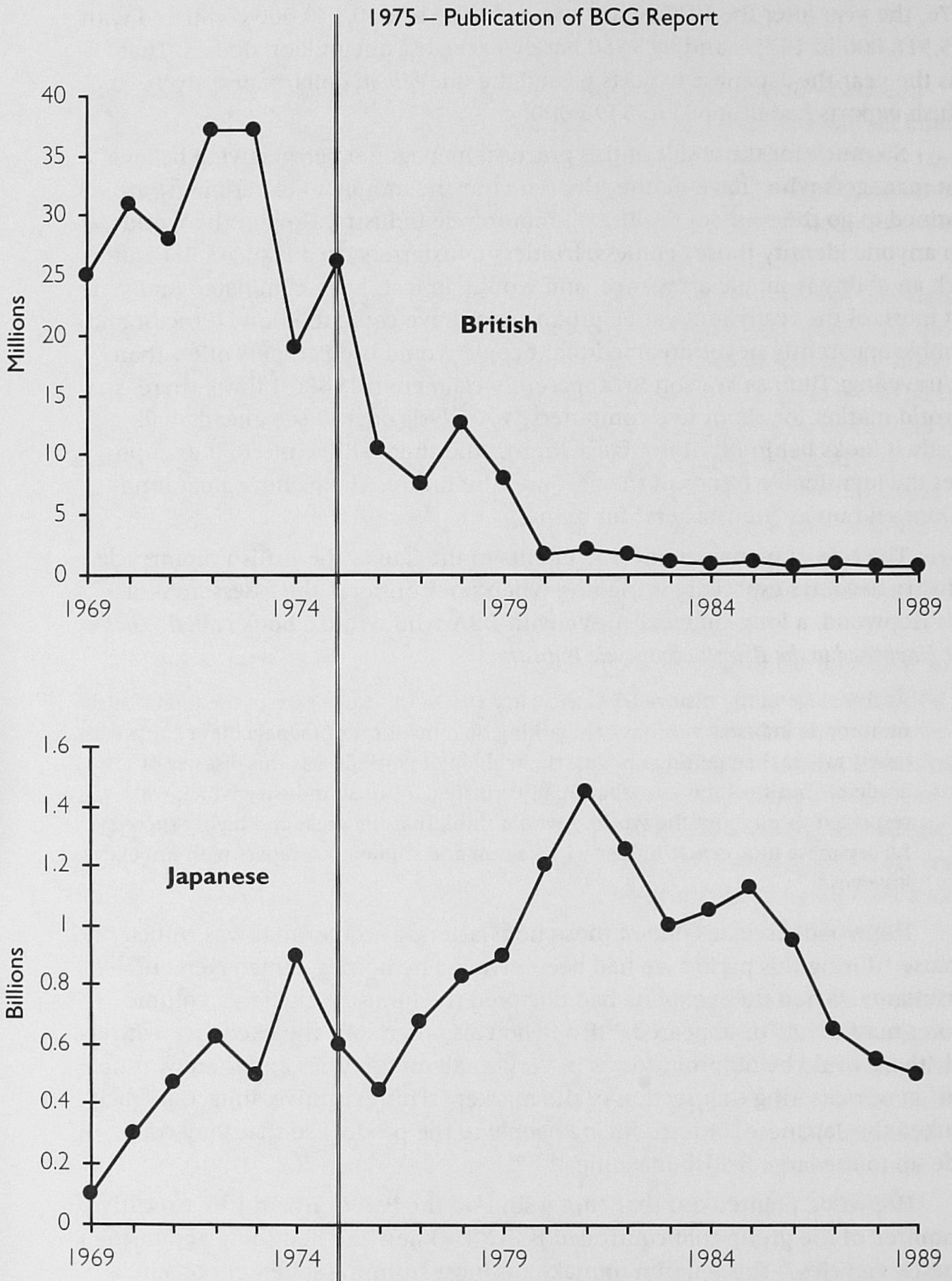
At this stage in the history BSA, the early 1960s, this huge slice of the total British motorcycle industry was busy embarking on a madness of management consultancy, rather than getting on with the real job of work. It was this disaster of academic business thinking that finally crucified a British industry which was respected throughout the world. I would think that the great and highly successful Japanese motorcycle industry looked on and studied our capers with unbelieving eyes.²

Hopwood discusses one of those nonstarters, a scooter that was ruined because "during this period we had been invaded by hordes of management consultants. When these experts had doctored the industry, the large volume scooter market had disappeared."³ Hopwood also mentions the executive who said "there could be no profit for us in very small motorcycles and there was no point in our entering that section of the market." This executive, in fact, publicly thanked the Japanese for introducing people to the product so that they could trade up to the large British machines!⁴

Hopwood pointed out that "not a soul on the Parent Board [the executive committee of the group that controlled BSA] . . . knew the first thing about single track vehicles." This led him to make his most stunning statement of all:

In the early 1960s the Chief Executive of a world famous group of management consultants tried hard to convince me that it is ideal that top level management

FIGURE I. United States Imports of Motorcycles and Parts



Source: Commodity Trade Statistics

executives should have as little knowledge as possible relative to the product. This great man really believed that this qualification enabled them to deal efficiently with all business matters in a detached and uninhibited way.⁵

So much for the power of clever analysis, at least disassociated from riding motorcycles and meeting customers—as well as respecting history. I should conclude, however, that I agree with Goold's claim that "there is an equal danger of going too far in the other direction"—too much learning at the expense of planning. But in his comments as well as in many other publications about strategy, I believe that danger continues to remain remote.

Notes

1. The claim that the BCG study did something equivalent to what we did in our tracking strategy studies—"discern patterns in . . . decisions and actions"—is also not correct. BCG inferred explanations from these patterns. We found patterns but inferred explanations from a detailed study of historical processes.
2. Bert Hopwood, *Whatever Happened to the British Motorcycle Industry* (San Leandro, CA: Haynes Publishing, 1981), p. 173.
3. *Ibid.*, p. 181.
4. *Ibid.*, p. 183.
5. *Ibid.*, p. 171

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