Shakeout is coming, and Honda's not immune

By Dan McCosh
staff writer

auto talk
Dan McCosh

Is it time to start feeling sorry for Honda?

Let's face it, we Americans are so in love with underdogs, we end up making them so popular, they end up overdogs, and then we kick them in the shins. This trait is manifested in the auto business through such phenomena as excessive Beetle worship, or the way the phrase "gas-guzzling dinosaurs" keeps slipping into the common language, even five years after American Motors bit the dust.

Somehow this never quite worked for the Yugo, but we have embraced just about any other car that has at least had the appearance of struggling against the establishment — loosely defined these days by General Motors, Ford and Toyota.

One major beneficiary of this mentality has been Honda, in the minds of many Americans the archetypal Japanese car company, despite the fact that in Japan a Honda has as little panache as driving a used Checker taxi.

WELL, MAYBE A little better than that. But Honda has been on the outside of the Japanese auto establishment for a variety of reasons, and its independence clearly has helped it in the American market, while doing little good in its home market.

Interestingly enough, Honda's problems in Japan stem at least partly from the same reason American and other foreign companies have such a tough time reversing the import-export ratio. The retail market in Japan is dominated by factory-owned dealers, mainly controlled by Toyota and Nissan, which squeeze out the likes of Honda or General Motors, forcing the upstarts to resort to tactics that even include selling cars door-to-door.

THIS SYSTEM is imploding on Honda these days, particularly with the newfound aggressiveness of Mitsubishi, which is an arm of the largest industrial-banking complex in Japan.

Add to this a noticeable softening in the United States of Accord sales, and Honda indeed appears to be in some degree of trouble.

On the surface, the softening in sales would appear to be temporary, mainly recession-related — the kind of thing that blows over when the credit eases. But in Honda's case, it is obvious it has been running on thin margins, and the drop in retail sales in both countries is likely to hurt.

The much-ballyhooed fast changes in Honda product lines, for example, necessarily mean a quick return of invested tooling capital, and any slip in full production cuts that return.

Honda, to its credit, has spent more heavily on engineering than most car companies, but this brings on a corresponding cost burden.

LIKEWISE, THE heavy reliance on the U.S. market, where profits are thin, is another Honda problem. Much of its success has been due to the Accord line, often misrepresented as the best selling car in the U.S. (In fact, it only earns that title if both the four- and two-door models are added together.)

If the Accord falters, it's as serious as a break in mini-van sales is to Chrysler these days. Add to this the fact that Honda's other key product lines, mainly motorcycles and small engines, are among the most competitive manufacturing industries in the world.

ALL THESE factors add up to less capability to roll with the punches than the big cash cows such as GM, Volkswagen, Toyota, Daimler-Benz or Fiat.

Does this mean that Honda is going under? Hardly. Still, we are only a couple of years into the new era of automobile manufacturing where Japanese labor costs are about equal, and in some cases more costly, than the rest of the western industrial nations.

We are going to see some shakeouts in the Japanese industry, and Honda is not immune.

Dan McCosh is automotive editor of Popular Science magazine.

Employer coaching will help change unsatisfactory worker

focus: small business
Mary DiPaolo

"We believe that all development is self-development; we, the company, provide the right environment for you, the individual, to develop yourself. We also provide the opportunities, and if you do not take advantage of these opportunities, then it is your decision to fail, not ours."

Found posted on an employee lunchroom wall, this endorsement of self-development theory sounds fine, but it also represents a self-destructive approach to employee training.

Realisticaly, business owners and managers interested in developing the fullest potential of their business must also be interested in developing the fullest potential of their people.

AN IMPORTANT concept of working with people is recognizing that when you hire employees, you are not buying their bodies and souls, but merely renting their behavior. This suggests that you must take responsibility for molding that behavior through coaching so desirable results and profitable productivity is achieved.

Although self-development theory may be appropriate for those few people who are self-starters and yearn for ways to improve themselves, the key to successful management is what you can accomplish through others.

The primary purpose of coaching as a method of training is to determine what is influencing unsatisfactory performance. Coaching is required only when the performance of a new employee does not match expectations. When an individual is performing satisfactorily, he or she should should receive positive reinforcement, not coaching.

MANY EMPLOYERS don't like to face up to an employee's performance problems. They have a tendency to put off discussion until it becomes a difficult, if not impossible, situation to handle and correct.

Some business owners have actually told me that it would be easier if the individual in question would quit so he or she wouldn't have to be confronted about unsatisfactory performance. At he other extreme are owners who delegate the responsibility of coaching employees to someone else, who needs it just as much, if not more so.

As you coach your employees, make sure that you are getting the individual involved, not simply talking at him or her and giving instructions. Be specific in the feedback you offer. Avoid confusing generalities. Look for behavior, don't concentrate on attitude.

THIS DOES not mean that attitude is not important in improving performance, but the key is a change of behavior. And, just as important, don't take for granted that the employee knows what to do to solve a problem, to correct the behavior and to improve performance.

For a free nine-step checklist on coaching for improved performance, send a self-stamped, self-addressed envelope to 46255 Frederick, Northville 48167.

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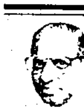
Investing for a fixed income doesn't mean a terrible return



finances and you
Sid Mittra

first in a series

People frequently argue that, because inflation is going to be with us for a long time, it is always better to buy stock than invest in fixed income securities. Certainly there is some truth to it.

However, if you don't like risk, you may not have the stomach for a bumpy ride on the stock market roller coaster.

For instance, despite the fact that the decade of the 1980s included the longest bull market in the history of the United States, the Dow Jones Industrial Average had a fairly bumpy ride, and therefore the market may not be an attractive place for you.

Fixed income is the alternative

Perhaps you should consider a fixed annuity as an alternative. If you think that a fixed annuity is going to be far worse than a growth investment, think again.

Assume today you invested $100,000 in a fixed annuity paying 8-percent interest. After five years, your money would have grown (ignoring taxes) to $147,000.

Now let us suppose you invested the same amount in a growth mutual fund. Over a five-year period, let's say this fund has a spectacular growth.

During the first two years, the imaginary fund grows at 20 percent or better, and in two other years, the return of 10 percent is well over the 8-percent rate offered by the fixed annuity.

There is just one bad year out of the five. And yet, after five years the mutual fund portfolio winds up having the same value as the fixed annuity.

Interesting, isn't it?

Fixed annuity offers more

Fixed annuity investing offers much more than a reasonable return. When you are ready to receive the income from the annuity — and there is no minimum time required for starting annuity payments — you will have many alternatives to choose from.

For instance, if you choose joint life with 15-year certain, both spouses will receive income as long as either party lives — you can never outlive your income.

However, if both spouses die early, the beneficiaries will continue to receive income until the 15-year minimum period expires.

We have barely scratched the surface of investment planning. These and other related issues will be discussed in detail at tonight's seminar series.

Seminar: "Playing to Win: Financial Concerns of the Affluent Professional," 7-9:30 p.m. Thursday, March 21, in the Conference Room at 3290 W. Big Beaver, Troy.

Reservations required. Telephone 643-8888.

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