



Why has Toyota gone off the road?



Dangerous floor mats, sticky accelerator pedals and now fears of ' Sudden Unintended Acceleration ' have toppled Toyota off its pedestal as the biggest and best car maker in the world and as an icon of modern manufacturing best practice. In America Toyota's vehicle faults are allegedly linked to the deaths of 50 people, and have forced a recall of 11 million vehicles worldwide. Akio Toyoda, the carmaker's president and founder's grandson, has been called to Washington DC to

stand in front of the American Congress to account for his company's failure to act quickly and seriously enough to protect the safety of its customers in the face of the mounting evidence of defects and fatalities.

Since Toyota's fall from grace, Akio Toyoda has been touring the world apologising. Last month he was in their European head office in Brussels. In front of the assembled, subdued crowd of employees there was no public apology this time; in Europe there have been no alleged deaths, just faulty parts and driver concerns. Toyoda's speech was part an expression of regret, and part an emotional pep-talk. He said, "If a defect occurs, we stop and study the problem carefully to determine the cause. We never run away from our problems. We never hide anything or try to deceive anyone. That would be completely out of step with the Toyota Way. However, we may have expanded too rapidly and unintentionally lost sight of a long-established commitment to the spirit of customer first".

Toyota has grown since the 1960's from being a small Japanese carmaker producing cheaper vehicles of questionable quality and style for their home market, to in 2007 overtaking General Motors as the largest automotive company in the world with sales of \$204 billion. They had made money every quarter for the past 50 years. With 1 in 7 new cars being a Toyota, the car in front probably is one. This amazing success was built on a set of founding principles, values and beliefs called the 'Toyota Way'. A respect for learning, truth, trust, team-work, challenge and continuous improvement were the basis of this code. It gave birth in the 70s and 80s to the Toyota Production System (TPS), now imitated across manufacturing industry, the service sector and even within the health sector and better known as Lean Manufacturing. TPS or Lean is held up as the archetypal manufacturing system of modern times. It's a methodology based on the ideals of just-in-time and right-first-time production, the elimination-of-waste and continuous improvement.

For Toyota to fall from grace there must be something that has seriously gone wrong. For Toyota not to react to the growing evidence of faults and then fatalities reveals a frightening arrogance and corporate state of denial. Its first reaction had been to imply that the drivers were at fault. Only very belatedly has it rushed to make amends, now forced into recalling vehicles over more modest customer concerns which in the past it would not have needed to. It has just reserved \$1.4 billion in its accounts as a provision against the cost of recalls.

Industry experts and observers of Toyota suggested the corporate cultural tipping point was after 2002 when Toyota set the target to become the world's biggest automaker. It aimed to gain of 15% market share, requiring it to increase its capacity by 50%. It needed to move quickly to become a truly globalised company. At the same time as the market was causing an increase in vehicle design complexity, Toyota set about a rapid overseas expansion which quickly stretched its supply chain. Their tier 1, 2 and 3 suppliers needed to grow capacity quickly and new suppliers were brought in for their overseas factories. In the past Toyota had been almost religious in its conversion of suppliers



requiring them to adopt the Toyota Production System and the values of the Toyota Way. Supplier approval and quality control had been central to its previous expansion, but now resources were stretched. The adoption by suppliers of Toyota's family 'identity' was not given time to take deep root, and standards slipped. Toyota's culture was to keep centralised control of its brand and values, whereas such rapid expansion may have required a more distributed leadership style and much better local empowerment to rapidly disseminate the Toyota Way.

This is a story of a proud and successful company seeking a dominant market position, becoming overconfident, losing attentiveness and forgetting the very principles that had led to its success. This is a story of the failure of a company to remember its own 'Way'. It is a warning to all of forgetting to put customer safety and quality first and only then quietly trusting that volume and growth will follow.

There are parallels here with the recent world financial crisis when the large banks forgot their core identity and purpose, and in their heady rush for growth, bonuses and profit, they tipped the world into the largest recession since the 1920s. The lessons from Toyota and the banks are obvious in hindsight. It is not money, but the love of money, that is a root of evil. Companies must steward their 'Way' and brand as if it were their life-giving heart. Companies should never forget who they are and why they are there.

Toyota is now publicly seeking to rapidly return to its founding principles; to get back to its 'Way' and to putting safety and quality first. It will be a better company for the lessons it has learnt. In reaction to its disgrace I suspect its cars will rapidly become even safer and better than they were before. It will take longer to regain the trust and confidence in its name, but that will come when their re-found zeal is evident. Andy Sinton, Toyota's European Production Manager, put it pretty well; "Our biggest failing as a company has been the cooling of our passion to make excellent cars," as he told his European employees. "You must bring more passion to your work."

Is it a lesson to us all?

Simon Thane, Tricordant

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