

# Case Study Analysis of Toyota Motor Corporation

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*Toyota Motor Company's Recall Debacle: Did Toyota Take a Wrong Turn?*

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## Abstract

Toyota is one of the renowned organizations in the global automotive sector which has its business located in various regions across the world. Toyota has been highly appraised in terms of the business philosophies established by Toyota which is more popularly known as “Toyota Way”. However the “Recall” crisis of Toyota exposed the organization to the media and public scrutiny and this has highlighted the slow response, lack of executive reporting structure and improper communication practices amongst the different functioning units and locations of the organization. Toyota practices a strong globally centralized structure which requires to be balanced along with better human resource management policies and structures to effectively manage the diverse workforce of the organization. The different aspects of the organization inclusive of the legal, cultural and operational functions reflects that Toyota practices has conflicted its own strategies and philosophies of doing things “Toyota Way” to induce expansion and growth and requires reformation in their structure and function to better incorporate their business values.

## Answer 1

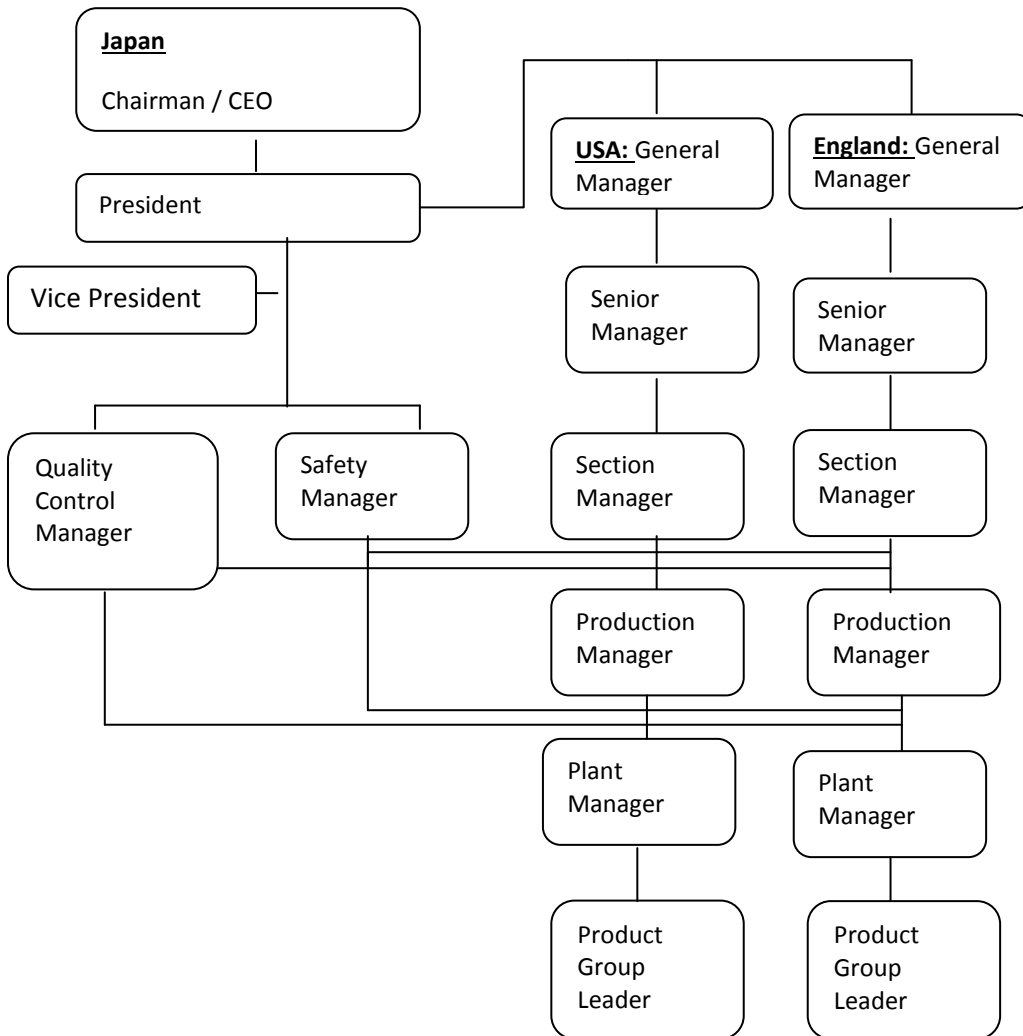
From the understanding of the “the three big strategic questions” of the strategic HR perspective of Toyota along with the information shared through the case study, it has been reflected that Toyota employees are at default providing sluggish response to the customer complaints which automatically indicates the misleading planning for the corporate communication procedures. The safety concerns were being considered a part of the quality and there has been no proper directive council to forward the queries and problems related to the safety concerns amongst the intra-organizational system inclusive of different operating location. This also highlights there at the beginning of the global expansion plan of Toyota at 2000, Toyota management lacked foresightedness in terms of effective managing their executive reporting structure and corporation communication procedure or scarified their own management philosophies of doing things “Toyota Way” for inducing aggressive expansion globally. as stated by Woodyard (2011) Toyota practices too much of centralized structure as most of the decision making and information are being forwarded to Japan and horizontal communication is definitely lacking owing to which the company actually failed to comprehend the similar pattern in the customer compliant in regards to the safety warnings about the cars (Woodyard, 2011).

The management of Toyota has established a global centralization in the spur of expansion and aggressive development but owing to the disaster faced by the organization, Toyota requires to make a shift and balance their global management system while dispersing more control and authority to the local management. In this context Toyota future plan ought to integrate better empowerment and authority policies and strategies for the North American affiliates which would major concentrates around the improvement of the production and development departments of the organization to better cater to the requirements of the customers and the

market (Kageyama, 2011). As stated by Andersen (2013) in his research, the corporate communication and the strategic human resource management requires integration of both the horizontal as well as the vertical communication and business processes as a part of the HR policies and practices to induce more alignment to establish better sustainability measures and competitive edge for a global organization (Andersen, 2013 ). Hence Toyota requires decentralizing their operational dimensions for the local affiliates for the various countries it is operating while enhancing the horizontal communication channels amid the different functional locations of the organization to induce a holistic management system which supports prompt responses and development in respect to the surrounding market condition.

## Answer 2

Based on the positions outlined in the table above, a flow chart depicting communication flows has been developed below.



The communication system will be a combination of centralized and decentralized communication flows instead of complete decentralization (Sage Publications). The Flow of information will be mainly centralized but at some levels decentralized process will also be used. The production managers and plant managers of both the units that is USA and England will be able to communicate directly to Quality Control Manager and Safety Manager in Japan along with communicating with their respective section managers. The reason behind this is that as Quality Control Manager and Safety Manager are responsible for the ensuring quality and safety standards in Toyota the Production Managers would ensure that Toyota principles are executed in the right fashion. Thus it is essential for Quality Control manager, Safety manager and production managers to work in close coordination. Further, in order to avoid production places even the plant managers will be able to communicate directly with quality control managers and safety managers along with their respective production managers.

This communication system will ensure that information is communicated rapidly from the grass root level and decisions are taken in no time to avoid major bottlenecks and issues. Further this will also help the managers to closely scrutinize and monitor production at different plants and thus ensure quality and safe outputs.

### Answer 3

Hofstede defined the organizational culture as the “collective programming” of the thought process which facilitates in differentiating the members of one corporate or organization from others in the business environment. The differentiating elements influencing the mind and rationale of employee of an organization is inclusive of the specific practices, values, shared beliefs etc which is often unique to an organization (Hofstede, 2001). Organizational culture are often being termed as the “corporate culture” which represents further commercialized form of the culture of the organization which induces values to establish sustainability and competitive advantages for the contemporary organizations (Piepenburg, 2011). In context of Toyota business culture, The Toyota Way (2004) when published by the organization became one of the global bestsellers as it investigates profoundly into the fundamental cultural aspects and philosophy of the management that supports and boasts the techniques and instruments inducing lean manufacturing and continuous improvement as an integrated part of the system. As a part of management principles of management decisions on a long-term philosophy, to develop culture that encourages quality right the first time as well as growth of leaders within the system, Toyota has established a brand which reflects quality and trust.

Unfortunately the NAQAP reported that Toyota’s operations are quite contrasting to the management philosophies which form the basis of the culture of the organization. Toyota has highlights that their culture encourages the employees to use “andon cord” as a part of their “Toyota Production System” in order to cease the operational line if there is any defect recognized in the procedure. Nevertheless the organization has continuous ignored the customer complaints as well as reported problems which is quite conflictingly to their integrated management values and practice. As a matter of fact Toyota management has reflected a slow



response to the complaints of the customers from the various operational locations like North America and UK even in context of serious concerns including quality and safety problems for its customers without actually putting efforts to resolute the problem. Further another critical aspect of Toyota's culture has been the consideration of the safety concerns regarding their product designs and customer complaints as a subpart of the quality concern. as per the report of the panel the rationale provided suggest that when the vehicles are being recognized of being of high quality, safety issues of the vehicles also forms part of it (Liker & Morgan, 2006). However, opposing the "Toyota Way" the management of the organization do not even have an established body to deal effectively with the safety concerns of the vehicle at the regional location as any decision making has been be done through sending reports to Japan which conflicts with the basic culture of the organization.

## Answer 4

Training and development forms a crucial part of developing human resources in an organization and to ensure a desired outcome from organizational employees. In context of Toyota, training and development programs undertaken by the organization is very effective. The problem arises because there is a gap between what is being taught to people during these training and development sessions and what is applied by them in practical scenario. Toyota considers that people working within the organization are self-motivated and thus would perform their tasks effectively and efficiently. But in the real scenario is different. Even if the employees of Toyota are self-motivated but yet Toyota needs to employ reinforcement strategies to ensure that there is no gap between theory and practice. Further these reinforcement strategies would also ensure that employees are working dedicatedly and there is no communication failure. Reinforcement in human resource management is a motivational tool in which the organizations use positive or negative reinforcers in order to motivate its people to enhance their performance (Amos, Ristow, Pearse, & Ristow, 2009). Reinforcement can be positive or negative. In context of Toyota, it is essential for the organization to employ both types of reinforcement strategies. On a positive note, Toyota should initiate a reward system in which employees who have been working effectively and maintaining strong communication systems should be rewarded for their efforts. This will result in a culture in which whenever an employee encounters a problem or are approached by for any complaint need to take immediate steps and communicate to concerned people. Thus the outcome will be positive behavior. It has been observed that the employees took the complaints from customers and government regulators very lightly which is just not acceptable. The employee's behavior of being ignorant should be curbed through negative reinforcement. Toyota should identify those people who are responsible for this ignorance and

should publicly reprimand them so that they as well as others understand the seriousness of taking actions and not ignoring problems.

Further it is also essential for Toyota to establish strategic congruence. Strategic congruence in simple words is a balance between strategies adopted by the organization at varying levels (Nilsson & Rapp, 2005). In order to maintain strategic congruence it is important for Toyota to understand individual requirements and objectives and thus develop organizational objectives. This will help Toyota to develop strategies in order to meet both organizational as well as individual objectives thus motivating employees to perform effectively and efficiently.

## Answer 5

The term “diversity” in context of the human resource management for the global organization denotes the rationale for the differentiation amongst the individuals coming from different background. The contemporary organizations ought to induce strategies and policies for the human resource management incorporating allowance to respect the “differences” between the employees to fulfill the purpose of developing an organizational culture which nurtures and supports diversity for the long term sustainability of the organization (Roberson, 2013). The diversity concerns for a global organization like Toyota and that too after a crisis management in regards to the “recall debacle” can be considered to be challenging as cultural diversity is often associated with immensely stimulating emotions. For Toyota, some of the challenges which the organization might face in context to the diversity in the culture of the organization are the lack of proper cohesive structure as well as social integrations as Toyota has its operations located in diverse region. it is imperative that when an global organization is trying to manage cultural diversities a number of critical problems governs the reinforcement of the HR policies and strategies, like, the increased number of conflicts due to poor cohesiveness, increase in the employee turnover and lower motivation level owing to the lack of proper human resource support, lower quotient of trustworthiness amongst the employees, lack of job satisfaction as well as increasing stress due to the improper communication amongst people coming from different cultures (Brislin, 2008).

Moreover individuals are different from each other owing to the cultural diversity which increases the challenge to re-establish an organizational cultural and it becomes challenge for the management to integrate co-workers from different race, age, gender and other feature to share comfortable zone and align their commitment with the organizational objectives of Toyota. In

context of managing cultural diversity challenges, the critical tool of Toyota is the actual implementation of the “Toyota Ways” and practices their “diversity consulting and inclusion strategies” department separate from that of the basic functions of the human resource department. another important part of training and developing the diverse employees of the organization to align their commitment towards functioning through “Toyota Way” is to collaborate with the University of Toyota to conduct the different training programs which would help the diverse employees to understand the global context of functioning of Toyota along with its distinctive management philosophies to induce continuous development. Further as a part of the reformed measures towards better integrating cultural diversity as a part of their organizational culture, Toyota human resource department can also hire the outside consultant in order to supervise their current procedures for employee training and inducing valuable measures to continuously improve the human resource of the organization to leverage diversity of the human capital and retain talents (Toyota, 2005). Moreover Toyota management ought to upgrade their recruitment and selection process for inducing more diversity in the organizational culture through a systematic measure to contribute effectively to “Toyota’s Way” of doing business.

## Answer 6

One of the distinctive features of the Toyota management is the development of the leaders from within the organization which supports the management philosophy 9 for growing leaders as an integral part of their business functions. In relation to the operations of the organizations on the basis of the lean production system, the management reinforces employees to focus on kaizen i.e. continuous development and jidoka which means to support quality. The major objective for this is to offer value to the customers of the company (Liker & Convis, 2011). This has enforced the Toyota Production System to continuously induce training and development of the employees to match with the lean system of the Toyota production which requires implementing principles of growing leaders from within the organization. The principle followed by Toyota management as a part of their succession planning and following “Toyota Way” to develop leaders within the organization certainly has their merits. Succession planning and concern of the management to develop their human resource certainly facilitates the employees in the organization to remain committed to the objectives of the organization (Mobley, Wang, & Li, 2011). Further this also helps the management to generate more attachment and affective commitment with the organization which in turn helps to instigate motivated and talented employees and leaders to contribute effectively to achieve the organizational goals.

It is imperative that when an organization provides its employees with the growth and development opportunities the human capital of the organization feels the sense of belongingness with the organization and hence the intention to the leave the organization gets reduced which directs to retention of talented employees contributing to the better performance of the organization. Succession planning helps the organization of Toyota to continue with their integrated business philosophies by following “Toyota Way” which fulfills the value of the

organization towards their internal stakeholders. As a part of the human resource management of Toyota, personally the aim would be to induce a combination of both the recruitment of the outside leaders as well as support the succession planning through encouraging the growth of leaders from within the organization (Mendenhall, Osland, & Bird, 2013). This is because, the appointment of the outside leaders would help to broaden the outlook of the internal system of the organization and contribute to continuous improvement through fresh inputs into the entire business functioning through effective and diverse style of leadership which is critical for an global organization like Toyota to remain competitive in the market.

## Answer 7

Performance appraisal forms a crucial aspect of performance management. Under performance appraisal a continuous effort is made to evaluate employee's performance on a regular basis thus helping the employee to develop as well as manage overall performance (Chanda & Shen, 2009). The most important reason to undertake performance appraisal on a continuous basis is to ensure that employees are performing effectively and efficiently. In case they perform inappropriately and necessary steps can be taken accordingly. While appraising employee performance appraisal, generally three parameters are considered, namely, traits, behaviors and results.

I being a human resource director at TMC, I would have adopted behavior appraisal and result appraisal. Both these appraisal methods would ensure that Toyota's principles of customer satisfaction and safety promotion is achieved which would ultimately result in containment of costs. In the present scenario in order to contain costs people in Toyota compromised in quality and ignored customer complaints. Through behavioral appraisal suitable and legitimate job-related behaviors will be acknowledged (Heslin & Don, 2011). This will ensure that employees adhere to Toyota's principles thus making an attempt to provide for customer satisfaction as well as promote safety. By adopting this kind of appraisal system, employees would be given a feedback based on their behavior exhibited while performing their jobs as well as behaviors related to a particular job. Thus employees will be more conscious regarding their behaviors and ensure that they take measures to execute behaviors that are job related. Employees will also ensure these behavior executed by them would be in line with Toyota's principles. In order to appraise employees under this system it is first important to identify various behaviors that are essential to a job and are necessary to achieve Toyota's principles. After identifying such



behaviors they would be conveyed to Toyota's employees so that they know the kind of behavior to be executed by them. Further this will also help managers to appraise employees.

Simultaneously, results or outcome appraisal method would also be employed. Success of Toyota is vested in the fact that ultimately it has to fulfill its principles and emerge as a leader in the automobile industry. In order to ensure it is essential that desired objectives are being met which is evident from performance outcomes of the employees (Chanda & Shen, 2009). This will also help to identify various external factors that have an impact on the employee's performance and thus help Toyota to control the same. Further the importance of this appraisal method lies in the fact that it is just and fair method of appraising people. If employees in Toyota are able to meet Toyota's principles, then in the long run there is a probability that Toyota will be in a position to contain costs too.

Both these appraisal methods are reliable and valid and thus can be employed in Toyota. These two methods would also ensure that problems are restored at the very beginning and are not allowed to become major issues for the organization.

## Answer 8

Before determining the method to be adopted to appraise the performance of employees in Toyota it is essential to understand the pros and cons of adopting each of these methods so that the best method can be applied.

In Critical Incidents Method, the managers observe employees behaviors that is being executed by them in vital and decisive incidents (Bascal, 2013). Based on their observations they categorize behaviors as stupendous problematic behaviors and then provide their feedback. Thus in this method a detailed and critical analysis of employee behavior is analyzed and appraisal is done accordingly. This is a time taking measure but helps in analyzing employee behaviors. Further it requires managers to spend a lot of time in observing their subordinates which adds to organizational costs. But as this method is based on real scenario this gives an immediate understanding to the managers and thus they can evaluate employees accordingly.

MBO Method is popularly known as Management by Objectives method of appraisal. Under this method, appraisal is done on the basis of employee productivity at both quantitative and qualitative levels. The appraiser determines the extent to which the appraisee has been able to align personal objectives with that of organizational objectives (Huang, Huang, Chen, & Yien, 2011). This method helps to evaluate the results achieved by an individual and the extent to which organizational objectives are met. But this method is suitable only for higher level employees and managers where decision making is involved. This method is very scientific as it considers various parameters which have an impact on employee performance and is developed through mutual collaboration.

BARS Method is popularly known as Behaviorally Anchored Rating Scale. In this method after a detailed analysis various behaviors and critical tasks essential for a given job are identified. An employee is rated based on these behaviors while performing and thus appraisal is done (Hauenstein, Brown, & Sinclair, 2010). It is an effective tool and is completely based on employee behavior. In order to make this method successful it is essential to very carefully identify behaviors and key tasks or else the method can be a failure.

Narrative Method is an extensive method under which the performance of an employee is observed and a detailed essay is narrated on the same (Osman, Sidani, Al-Ayoubi, & Emrouznejad, 2011). Based on this narration employee's performance is analyzed to identify positive behaviors and areas of improvement. This method is very time taking and requires managers to be very analytical and minutely observe employee performance.

Graphic Rating Scale Method is a simple method in which employees are rated based on their performance and their contribution towards performing a job successfully (Brutus, 2010). This method helps in identifying employee potentials and limitations. But this method is very simple and is not analytical.

In the given context, as human resource director of Toyota I will opt for a combination of critical incidents method and MBO method in order to appraise the performance of employees within the organization.

## Summary

The objective of the paper has been to understand the different internal functions and dimensions of Toyota and how it has been effective in context of the “recall debacle” of the company. The case study helps to understand the critical problems and the analysis for the crisis of Toyota.

Though the paper an attempt has been made to critically evaluate the recognized reasons more explicitly and also induces the measures through which the current strategies and processes of Toyota could be developed. The focus has been on the management of the diverse workforce of Toyota and the related concerns regarding the empowering and decentralizing the structure of Toyota to effectively follow the “Toyota Way” for achieving the organizational objectives.

Toyota should redesign its human resource practices so that it can achieve an organizational culture in which Toyota’s people are dedicated towards adhering principles mentioned under Toyota Way. It should take proper and effective training and development strategies like counseling, mentoring and coaching in order to make its people understand importance of its principles. It should also encourage a system of open communication and quick circulation of information so that corrective measures can be taken at the right time.

Toyota is an international company thus it is essential for the company to ensure it is able to maintain its reputation across the world. Such recalls and problems arising out of inappropriate human resource practices result in negative goodwill for the organization. Toyota should ensure that its human resource practices are effective and help organization achieve its goals and objectives.

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