

# Toyota motor corporation analysis



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Identify the performance operations objectives of the same company and analyze how successful the operations are in meeting strategic objectives of a company. Your discussion need to be focused on Quality, Cost, Speed, Flexibility and/or Dependability

Operations management

Design, execution and control of a firm's operations that convert its resources into desired goods and services and implement its business strategy is called operation management.

Available from <http://www.businessdictionary.com/definition/operations-management.html#ixzz132raEcUv>

“ The role of the operations function means something beyond its obvious responsibilities and tasks it means the underlying rationale of the function, the very reason that the function exists.”

The idea of role is important. As individuals we all play roles in our everyday life. Sometimes we are colleagues of other people on our course. At other times we are friends of the people we grew up with. At other times the children of our parents. Each is a different role. The important point is that we behave differently depending on which role we are in at any time. It is the same for the operations function. Depending on its role, it will behave differently.

### **The three roles includes**

The implementer of business strategy.

The supporter of business strategy.

The driver of business strategy.

Two things are important in understanding these roles. First, they are stated in order of difficulty and in order of importance. Implementing business strategy is a very basic responsibility for operations, supporting business strategy is what most operations should aspire to, but driving business strategy is only possible if the operation really does have unique capabilities.

Second, they are cumulative in the sense that an operation cannot be a supporter of business strategy unless it has skills as an implementer, and cannot drive business strategy unless it has the skills to support the business strategy.

This first point made here is that operations objectives are very broad. Operations management has an impact on the five broad categories of stakeholders in any organisation.

Stakeholders is a broad term but is generally used to mean anybody who could have an interest in, or is affected by, the operation. The five groups are:

Customers – These are the most obvious people who will be affected by any business. What the chapter goes on to call the five operations performance objectives apply primarily to this group of people.

Suppliers – Operations can have a major impact on suppliers, both on how they prosper themselves, and on how effective they are at supplying the operation.

Shareholders – Clearly, the better an operation is at producing goods and services, the more likely the whole business is to prosper and shareholders will be one of the major beneficiaries of this.

Employees – Similarly, employees will be generally better off if the company is prosperous; if only because they are more likely to be employed in the future. However operations responsibilities to employees go far beyond this. It includes the general working conditions which are determined by the way the operation has been designed.

Society – Although often having no direct economic connection with the company, individuals and groups in society at large can be impacted by the way its operations managers behave. The most obvious example is in the environmental responsibility exhibited by operations managers.

After making this general point about operations objectives, the rest of the chapter goes on to look at the five performance objectives of quality, speed, dependability, flexibility, and cost.

## **Toyota Motor Corporation**

Toyota Motor Corporation commonly known as Toyota and abbreviated as TMC which is a multinational corporation who's headquartered is in Japan.

In 2009, Toyota Motor Corporation employed 71, 116 people worldwide. TMC is the world's largest automobile manufacturer by sales and production.

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The company was founded by Kiichiro Toyoda in 1937 as a spinoff from his father's company Toyota Industries to create automobiles. Toyota Motor Corporation group companies are Toyota including the Scion brand, Lexus, Daihatsu and Hino Motors along with several “ non-automotive” companies. TMC is part of the Toyota Group, one of the largest conglomerates in the world.

Toyota Motor Corporation has its headquartered in Toyota City, Aichi and in Tokyo. In addition to manufacturing automobiles, Toyota provides financial services through its Toyota Financial Services division and also builds robots.

## **Objectives of the Toyota**

To highlight Toyota's efforts towards environmental protection as part of its global vision

To discuss whether Toyota would achieve its goal of becoming the leading carmaker in the world by 2010 by establishing itself in difficult markets

Achieving Market Leadership by Delivering Value to Customers

Following our “ Customer First” philosophy in manufacturing and providing

High quality vehicles and services that meet the needs of Pakistani customers

Enhancing the quality and reach of our 3S Dealership Network

Employing customer insight and feedback for continuous corporate renewal

Including product development, improving service and customer care

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Bringing Toyota Quality to Pakistan

Maximizing QRD means Quality, Reliability and Durability by built-in engineering

Transferring technology and promoting indigenization at IMC and Vendors

Raising the bar in all support functions to meet Toyota Global Standards

Optimizing Cost by Kaizen

Fostering a Kaizen culture and mindset at IMC, its Dealers and Vendors

Implementing Toyota Production System

Removing waste in all areas and operating in the lowest cost quartile of the industry

Respecting Our People

Treating employees as the most important sustainable competitive resource

Providing a continuous learning environment that promotes individual

Creativity and teamwork

Supporting equal employment opportunities, diversity and inclusion without discrimination

Building competitive value through mutual trust and mutual responsibility between the Indus Team and the Company

Becoming a good corporate citizen

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Following ethical business practices and the laws of the land

Engaging in philanthropic and social activities that contribute to the enrichment of Pakistani society, especially in areas that are strategic to both societal and business needs e. g. Road Safety, Technical Education, Environment Protection, etc.

Enhancing corporate value and respect while achieving a stable and long-term growth for the benefit of our shareholders

Available from <http://www.toyota-indus.com/annualRPT2009/Strategic%20Objective.pdf>

## **The performance operations objectives**

Performance objectives are usually specified in terms of response times, throughput and resource-utilization levels and typically focus on metrics that can be directly related to user satisfaction.

To reach any goal or strategic objective without providing a road map for that no one can make it possible. This is the reason clear and detailed employee performance objectives play a crucial role in helping companies perform to their business plan and achieve their strategic goals.

Performance objectives establish how your business plan will be achieved. It also play a major role in defining the end results expected through your staff's hard work and dedication.

Performance objectives are a necessity in setting clear goals for employees. They also challenge staff members to achieve maximum results to promote

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business growth and make continuous improvements to meet the challenges and changing demands of the marketplace. Performance objectives must be clear and guide action.

## **Criteria of a Successful Performance Objective**

Specific

Measurable

Accountable

Realistic

Time based

Strategically Linked

## **Main performance objectives**

Quality

Cost

Speed

Flexibility

Dependability

## **Quality**

Quality is placed first in our list of performance objectives because many authorities believe it to be the most important. As far as this introduction to



the topic is concerned, quality is discussed largely in terms of it meaning ‘conformance’.

That is the most basic definition of quality is that a product or service is as it is supposed to be. In other words, it conforms to its specifications.

There are two important points to remember when reading the quality as a performance objective.

The external affect of good quality within in operations is that the customers who ‘consume’ the operations products and services will have less to complain about. And if they have nothing to complain about they will be happy with their products and services and are more likely to consume them again. This brings in more revenue for the company

Inside the operation quality has a different affect. If conformance quality is high in all the operations processes and activities very few mistakes will be being made. This generally means that cost is saved, dependability increases and speed of response increases. This is because if an operation is continually correcting mistakes, it finds it difficult to respond quickly to customers requests. See the figure below.

study2. gif

## **Speed**

Speed is a shorthand way of saying ‘Speed of response’. It means the time between an external or internal customer requesting a product or service, and them getting it. Again, there are internal and external affects.

Externally speed is important because it helps to respond quickly to customers. Again, this is usually viewed positively by customers who will be more likely to return with more business. Sometimes also it is possible to charge higher prices when service is fast. The postal service in most countries and most transportation and delivery services charge more for faster delivery.

The internal affects of speed have much to do with cost reduction. The two areas where speed reduces cost are reducing inventories and reducing risks. The examples used are from manufacturing but the same thing applies to service operations. Usually, faster throughput of information or customers will mean reduced costs. So, for example, processing passengers quickly through the terminal gate at an airport can reduce the turn round time of the aircraft, thereby increasing its utilisation. This is best thought of the other way round, ' how is it possible to be on time when the speed of internal throughput within an operation is slow?' When materials, or information, or customers ' hangs around' in a system for long periods there is more chance of them getting lost or damaged with a knock-on effect on dependability. See the figure below.

study3. gif

## **Dependability**

Dependability means ' being on time'. In other words, customers receive their products or services on time. In practice, although this definition sounds simple, it can be difficult to measure. What exactly is on time? Is it when the customer needed delivery of the product or service? Is it when they expected

delivery? Is it when they were promised delivery? Is it when they were promised delivery the second time after it failed to be delivered the first time? Again, it has external and internal affects.

Externally no matter how it is defined dependability is generally regarded by customers as a good thing. Certainly being late with delivery of goods and services can be a considerable irritation to customers. Especially with business customers, dependability is a particularly important criterion used to determine whether suppliers have their contracts renewed. So, again, the external affects of this performance objective are to increase the chances of customers returning with more business

Internally dependability has an effect on cost. Three ways in which costs are affected – by saving time , by saving money directly and by giving an organisation the stability which allows it to improve its efficiencies. Once more, think about it the other way round – ‘ how can an operation which is not dependable ever promise its customers fast response?’ See the figure below.

study4. gif

## **Flexibility**

This is a more complex objective because we use the word ‘ flexibility’ to mean so many different things. The important point to remember is that flexibility always means ‘ being able to change the operation in some way’.

The different types of flexibility product/service flexibility, mix flexibility, volume flexibility, and delivery flexibility. It is important to understand the difference between these different types of flexibility but it is more important

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to understand the affect flexibility can have on the operation. There are external and internal affects.

Externally the different types of flexibility allow an operation to fit its products and services to its customers in some way. Mix flexibility allows an operation to produce a wide variety of products and services for its customers to choose from. Product/service flexibility allows it develop new products and services incorporating new ideas which customers may find attractive. Volume and delivery flexibility allow the operation to adjust its output levels and its delivery procedures in order to cope with unexpected changes in how many products and services customers want, or when they want them, or where they want them

Once again, there are several internal affects associated with this performance objective. The three most important, namely flexibility speeds up response, flexibility saves time and flexibility helps maintain dependability. See the figure below.

study5. gif

## **Cost**

The two important points here are the first is that the cost structure of different organizations can vary greatly. Note how the different categories of cost vary. Second, and most importantly, the other four performance objectives all contribute, internally, to reducing cost. This has been one of the major revelations within operations management over the last twenty years.

“ If managed properly, high quality, high speed, high dependability and high flexibility can not only bring their own external rewards, they can also save the operation cost.”

study6. gif

Available from [http://wps.pearsoned.co.](http://wps.pearsoned.co.uk/ema_uk_he_slack_opsman_4/17/4472/1144836.cw/index.html)

[uk/ema\\_uk\\_he\\_slack\\_opsman\\_4/17/4472/1144836.cw/index.html](http://wps.pearsoned.co.uk/ema_uk_he_slack_opsman_4/17/4472/1144836.cw/index.html)

**Reduced Setup Times:** All setup practices are wasteful because they add no value and they tie up labor and equipment. By organizing procedures, using carts, and training workers to do their own setups, Toyota managed to slash setup times from months to hours and sometimes even minutes.

**Small-Lot Production:** Producing things in large batches results in huge setup costs, high capital cost of high-speed dedicated machinery, larger inventories, extended lead times, and larger defect costs. Because Toyota has found the way to make setups short and inexpensive, it became possible for them to economically produce a variety of things in small quantities.

**Employee Involvement and Empowerment:** Toyota organized their workers by forming team and gave them the responsibility and training to do many specialized tasks. Teams are also given responsibility for housekeeping and minor equipment repair. Each team has a leader who also works as one of them on the line.

**Quality at the Source:** To eliminate product defects, they must be discovered and corrected as soon as possible. Since workers are at the best position to discover a defect and to immediately fix it, they are assigned this

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responsibility. If a defect cannot be readily fixed, any worker can halt the entire line by pulling a cord (called Jidoka).

**Equipment Maintenance:** Toyota operators are assigned primary responsibility for basic maintenance since they are in the best position to detect signs of malfunctions. Maintenance specialists diagnose and fix only complex problems, improve the performance of equipment, and train workers in maintenance.

**Pull Production:** To reduce inventory holding costs and lead times, Toyota developed the pull production method wherein the quantity of work performed at each stage of the process is dictated solely by demand for materials from the immediate next stage. The Kanban scheme coordinates the flow of small containers of materials between stages. This is where the term Just-in-Time (JIT) originated.

**Supplier Involvement:** Toyota treats its suppliers as partners, as integral elements of Toyota Production System (TPS). Suppliers are trained in ways to reduce setup times, inventories, defects, machine breakdowns etc., and take responsibility to deliver their best possible parts

## **Task 2**

### **Design and monitor appropriate systems to ensure quality of product and services**

Define resources, tools and systems required to support business process to improve the quality of products and services

Define quality audit systems/practice to manage and monitor quality to standards specified by the organization and process operated. Also suggest ways as to how quality audit systems can be implemented in an organization.

Highlight the ways to introduce quality culture in your organization to ensure continuous monitoring and development of the process.

## **Quality Control System**

When customer evaluation data is received by a division's quality assurance department, the department immediately reassesses the design review process and provides feedback in order to improve quality at the process level.

If through customer feedback, a division uncovers what qualifies as a critical quality issue under company rules, the data is immediately relayed to both the Corporate Center's Quality Control Department and the company president.

The Quality Control Department is responsible for monitoring the quality assurance department of each division in order to ensure that the departments are reassessing the design review process and implementing feed forward control to improve quality at the process level.

The president of Toyota Industries is personally involved in ensuring that his directives for the company are being implemented, participating in special site inspections and quality status meetings, during which responsible

department heads report information about the quality of the company's products to the president.

## **Quality Control**

Toyota Industries utilizes every opportunity to ensure that each of its employees, beginning with its upper management, embraces the company's policy of zerodefects quality and understands that the customer is number one. These policies form the basis for all of the company's quality control activities.

## **Toyota – Culture of Quality**

One aspect of the Toyota is that newly hired engineers were mentored for 10 years to ensure that they are fully imbued with the values around which the culture is built. Another aspect of the quality culture was the attention on analyzing consumer complaints and acting on the analysis quickly. Though, when Toyota set its goal to become the world's largest automotive manufacturer, it lost sight of the key values that gave it its reputation in the first place.

In order to meet its growth targets Toyota had to hire many new engineers globally; however it did not have the senior engineers available to mentor the new team in the way that it had in the past. In adding, it no longer spent as much time analyzing consumer complaints and in some cases it came up with low cost “ fixes”.

One final aspect of the decline was that Toyota did not share safety information worldwide, so problems that cropped up in Europe were not



shared with the US. Hence its failure to connect the dots, as stated by Akio Toyoda when commenting on the recent recall.

Toyota's in the early hours growth resulted from its relentless pursuit of quality – this was its strategic competency; however, it lost its way when growth took priority. When you lose sight of your strategic skill, the very differentiator that gives you your competitive advantage, you will damage your reputation in the market.

This reputation often takes decades to build. So as you look to grow, make sure that the growth does not reason you to grow faster than you can grow your strategic competency. This means that you must have plans to ensure your intellectual capital strategic competency grows at the same pace as your sales growth. This competency expansion is a critical consideration as you develop your strategy.

<http://www.cssp.com/strategicplanning/blog/?tag=quality-culture>

### **Task-3**

#### **Improve organizational performance**

Monitor systems and work activities in your organization and identify problems and opportunities for improvement.

Recommend improvements which align with the organization's objectives and goals and which result in a reduction in the variation between what customers and other stakeholders want and what products, processes and services deliver.

Evaluate the wider implications of proposed changes within the organization.

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Develop an Implementation Plan for the evaluated recommendations and evaluated the possible changes within an organization.

Understanding the wonderful marketable success of Toyota, rising from an uncompetitive auto maker in the 1950s and 1960s, to the most dominant in the world by 2000s and understanding the huge benefit that has come to some that have conscientiously sought to emulate Toyota-sharp reductions in time and cost with vast improvements in quality and responsiveness is reason for others who have not yet to look more closely.

Toyota's success is rooted in its ability to generate and continue broad based, high speed, relentless improvement and innovation so by being quicker and better and getting product to market well well-matched to market needs.

As important as such a capacity is under any circumstances all the more so when existing approaches to doing business have been horribly disrupted and new ones have to be discovered regularly.

The 'lean manufacturing' movement has its origins in efforts to understand the commercial success of Toyota, beginning in the mid 1980s.

Before then, Toyota was mostly off of people's radar screens. It had first entered the US market in the late 1950s, but its products were so unreliable that it made little commercial headway. Less understandable than were its quality issues was that its productivity was one-eighth that of the user.

Toyota had closed the productivity gap by the late 1960s. It was not until the oil price spikes of the early 1970s that Toyota reemerged in people's

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awareness. Its sub compact cars were first attractive for their fuel efficiency but were then rapidly recognized for their consistency and affordability.

That was Toyota's competitive opening. Sub compacts were followed by every larger models so that by the mid of 1980s, it was stealing that was the term that was used-significant market share from the domestic producers.

When people tried to figure out how, there was a realization that it was something basically different in the management of design and production processes that was occurring as on any given day, Toyota and its suppliers were accomplishing twice the output with half the people, laboring in half the space with half the equipment and material on hand.

For many would be imitators, process stability was seen as the end point of a becoming like Toyota, a 'lean implementation.' Understandably so, it was SO much better than the previous state. I turned out; stability was confused as the terminus of efforts rather than as the first way station. Inside Toyota, great effort was exerted to make processes predictable but this was transitory.

This investment in standardization, specification and stabilization was not to invent a best-for-ever approach but it was to capture a temporarily 'best known method' for achieving success, the use of which would reveal problems and further opportunities for development, for both small and big.

Toyota was primarily a source of great inspiration in how to manage composite operations based on its capacity to 'steal share' from the market incumbents.

This was attributed first to system engineering tools effective at stabilizing messed up systems so they could be more productive. However, in fact Toyota's success is fixed in four capabilities that make it an exemplar learning organization.

There are myriad examples of organizations that have benefitted just from the stabilization effort. A less number have had considerably more increase by emulating the improvement, innovation, learning behaviors, discovering ever better ways to create value and follow perfection.

This has not just been in activities that look like auto industry work-high volume, relatively low variety, repetitive processes, but across the board-high tech and heavy industry, production and design, manufacturing and services like healthcare.