

Toyota motor
corporation the
effective
management of
people



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Toyota Motor Corporation (TMC)

Toyota Motor Corporation also known as TMC is a Japanese born company famous for its car making as well as providing financial services and participating in various lines of business including housing, IT and financial activities.

Over the years, TMC has become the largest car manufacturing in the world (operating in America, Europe, Asia, Africa and Oceania) after General Motors and is the biggest in Japan producing an estimated “ eight million vehicles per year”. (Toyota Annual Report, 2009)

Founded in 1937, its current name, TMC was incorporated in 1981. As of March 31, 2009 TMC’s capital totalled to 397. 05 billion yen, (Toyota Annual Report, 2009) and despite the current financial crisis, the company only announced its first annual loss in 71 years in May 2009.

Importance of Project Management

Many organisations use project management in order to survive in today’s fast changing environment and it is part of the way things are done in businesses as described by Heerkens (2007).

In using project management, companies translate both their strategies and objectives into action because this brings change to organisations and giving the fact that change is almost necessary if a company is to gain competitive advantage, this explains its multiple advantages including the following:

Achievement of goal is made possible and decision making is based on more adequate information, thus making collaboration more focused and orientated toward gaining competitive advantage.

Clear terms of reference allow employees understand their roles and responsibilities and how these can relate to the company i. e. objective, scope of deliverables, role, responsibilities, structure and schedule all give a clear path of progression in terms of what is expected from people, Dobson (2004)

Forecast of revenues and expenditures is made possible by the allocation of budget. As a result, employees feel connected to the organisation from the corporate level where important decisions are made, thus facilitating an effective management.

Time constraints (scope, time and cost) and specific expertise are used as measuring tools thus allowing the linkage of HRM to technology and the reduction of manager's workload whilst increasing efficiency in the workplace by standardising HR processes. As a result, problem solving is made easy and fast, Harris et al (1996)

In the organisational context, a hierarchical structure including the necessary step for achieving the objectives contribute in reaching the end.

Different efforts are appreciated and team members recognise the importance of project management by pioneering it main focus. This ultimately leads to success and a drive toward effective management of

people which is a critical component of organisational competitiveness as stated by Kerzner (2009).

Because the success of any project depend on the leadership and motivation styles of sponsors who are experienced and ensure effective delivery, a sense of achievement is created for both employees and the organisation.

Project management has served as tool to many big organisations in terms of innovation and when dealing with changes in the business environment, both employees and managers are able to witness the achievement of their respective goals and that of the organisation all in the same aim to gain competitive advantage, Larson et al (2006)

The next sections of this report discuss some of these advantages in the context of TMC.

Recruitment, Selection and Training of Personnel in TMC towards Market Advantage

The concept of employee resourcing is aimed at employing people with the right skills and attitudes for the organisation. This appears to be acceptable in principle. But there is a tendency to interpret it because managers tend to recruit people who have the same characteristics as themselves.

Most of TMC's senior executives are Japanese men, whereas most successful western corporations employ more diversely at the corporate level.

In today's modern organisations, key issues include flexibility, innovation, creativity and the success of organisation is not likely to result from those who display similar characteristics to those already in the organisation. It can
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therefore be argued that organisations which perform better are those who employ people that think for themselves and have ideas and behaviour that are different from others

While this suggests the usual selection methods which require evidence of continuous and verifiable employment actually works against the organisation that is seeking innovation, TMC with its “ The Toyota Way” of lean product development and management principles illustrates otherwise. (Liker et al, 2004)

So far TMC has been able to achieve market advantage by keeping up with its technology and more importantly being ahead of its competitors. In 1997, the company launched the Prius as the world first mass-produced hybrid car which was achieved through their people system. (Toyota Annual Report, 2009)

TMC’s system is centred on people from their recruitment and selection as well as their training and development in the company. “ The Toyota Way”, as discussed by Liker et al (2004) must be part of their DNA.

This concept has so far helped TMC achieve its organisational competitiveness. However, many overseas managers and engineers working for TMC have admitted working under too much pressure, Liker et al (2004). Others have embraced this and felt at home in an organisation where they feel valued. Either way, the question remains whether TMC is an employer of choice.

TMC has recently been accused of weak designed practices with relation to the human resource as a result of the recent failure to spot technical issues, Sullivan (2010)

In Sullivan's view point, reward and recognition, training, hiring, the performance management process, the corporate culture, leadership development, staff retention and risk assessment all contributed to TMC's downfall.

The company certainly has a very rigorous hiring process and often only recruit those who have had higher grades and are smart. But it can be argued that intelligence isn't always the key, particularly in an industry that is influenced by changing technologies and competition.

The aim of recruiting should include making the organisation attractive to potential candidates by being the " employer of choice" where people are not only valued but want to be part of the organisation. This may be difficult for TMC as being a Japanese company involve adopting a culture of bureaucracy which ultimately affects the structure of the company as a whole.

Introducing flexible working hours in the UK for example and where mostly men are employed, hiring women could all assist in this sector. Still, it remains manager's job to examine the situation and identify alternative options in order to achieve market advantage.

Armstrong suggested that learning programmes and training schemes should be developed in order to increase employability both inside and outside the organisation.

To deal with the challenges faced by training, TMC introduced “ lean training” where all team leaders work together to produce a new model.

When producing Corolla for instance, TMC brought a team leader from each of their operating regions and together, they worked in 12 different assembly points around the world which reduced the number of working hours by 30%. (Toyota Annual Report, 2009)

In addition, the company has a website that allows all its team members to take part in self training sessions which include weekly and location based trainings locations. (TMC Sustainability Report, 2009)

However effective and efficient is this process of recruiting and training, the relationship between individuals who are brought to work together is crucial to the intended success.

Teamwork

Teamwork is an important aspect of an effective management of people and therefore represents a critical component of any process of project implementation.

It defines the relation between individual and other external parties as well as being dependent on each other in their particular tasks. There is reliability on the individual capability. (Tarricone et al, 2002)

More importantly, team members all have different skills and each contribute toward the organisations' social culture and vision. (Gibson et al, 1980)

Theories and Concepts of Teamwork

Tuckman (1965) presented a theory of four different stages of group development that he further developed by adding a fifth stage after its popularity in 1970. The first four stages are represented by the guidance in the development and behaviour of the team members.

Performing Performing

Norming

Focus on the Task Forming

Storming Storming

Figure 3. 1: The Different Stages of Group Development

Source: Adapted from Tuckman (1965)

In the organisational context, the success of teamwork will depend on people's ability to communicate within the team as well as their commitment to achieving the tasks in question. Contrary to this view, a project team might have different characteristics which allow them to accomplish their task in accordance with the given time and budget. As well as being fully involved, team members have to keep their manager aware of the issues, changes, risks and quality improvement.

Gibson et al (1980) were adamant that communication and involvement are two different characteristics and that all that matters was the target or task that was required to be achieved by the team.

The following attributes were discussed by Tarricone et al (2002) in the same interest of finding out what represented a successful teamwork.

Attributes of Team Work

TeamWork

Interpedently

Individual

Skills

Liberty of communicat-ion and suggestion

feedback

Commitment

To team

Team size

Commitment to team and shared Goals

Figure 3. 2: The Six Attributes of a successful Teamwork (Adapted graph)

TMC and Teamwork

TMC refers to each of its employee as “ team member”. To them, making customers happy is directly linked to how well they work together as a team.

While this partly relate to Tarricone and Luca’s (2002) six attributes of teamwork, particularly where team work and commitment are concerned, people have different competencies and as mentioned by Francis et al (1979), wouldn’t it be easier if everyone focused on their given tasks? Or maybe TMC has found that taking care of each other, Critchley et al (1986) and respecting each other is primordial.

We can still question TMC’s communication and feedback standards because of the guidance they use from their recruitment to the training where strict rules are used.

Harris et al (1996) outlined this in saying that members must have the right to express their feeling with regard to the work being carried out. Again, it is the management’s job to not only give adequate direction, but also divide the job among the members while making sure they are not just following set rules but contributing individually.

It is clear that TMC challenges its employees. For example, the company believes that respecting and trusting it people will ultimately mean that they will give 100% of output. They also agree that everything can’t be done through machines and therefore human force is important. That’s why the company motivates it team members by trusting them and given them responsibility in order to fulfil their objectives.

However, being a corporate company involves having low tolerance in terms of mistakes. TMC is currently at the centre of massive allegations regarding quality issues involving their recent cars. They have taken actions to correct these issues but could this be related to team members working under too much pressure? Is TMC too consumer driven? Or maybe the culture of the company which evolve around the Toyota Production system is in need of restructuring. The 5th stage of Tuckman's (1965) theory particularly represents this as being the split of the group after fulfilment of their purpose. In Tuckman's (1965) view, moving on is helpful to the team members as it creates a sense of recognition.

What is obvious is that TMC understands teamwork and refers to it as its foundation. The next figure represents an example of how teams are formed in TMC.

Team Size

Team Member

5-8

Team Leader

3-4

Group Leader

5-8

5-8

Asst. Manager

4-10

Smallest Group

4TLs

18 TMs

Largest Group

5 TLs

23 TMs

Manager

Figure 3. 3: Typical Toyota Organization – Assembly Operation

Source: Bill Constantino, former group leader, Toyota, Georgetown.

While other organisations use highly skilled employees to find solutions to day to day issues such as quality of products, maintenance of equipment etc, TMC's system (see figure 3. 3) allows employees to do thing differently. Work groups are responsible for solving problems that occur and have many responsibilities including carrying out monthly planning in advance for quality production, scheduling etc.

Another example of teamwork in TMC is where experts select two or three members depending on how many people are needed for the task and each

member has to learn every job to allow rotation. The company believes that this way no member gets the load of work and the system runs smoothly while motivating employees.

TMC and Change Management

The management of TMC spotted the need for change from an early stage and has ever since been improving the company's productivity, quality, customer service etc.

The company cultivates the leadership and team's styles change culture as well as growth to devise the strategy of what they refer to as " The Toyota Way" or the 14 Principles of Management. (Liker, 2004)

This is also explained by the " 4P" model of " The Toyota Way" (Liker, 2004), where he highlights the Philosophy, Process, People and Partners and Problem Solving as a way of improvement and uniqueness of TPS. These 4Ps also constitute the 14 principles of management.

Fig: 3. 4: A " 4P" Model of " The Toyota Way"

Source: Adapted from Liker (2004)

However, change has its issues and most organisations begin to realise this when they are hit by competition or often bankruptcy. TMC experienced this in 1950 when the company encountered bankruptcy and began changing its culture.

As recognised by Bridges (1995) with his transitional model of change, often dramatic change is needed in order to survive in a competitive market place.

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TMC accepted the challenge to survive in the US market and started working towards the company's vision by motivating and inspiring its employees. As a result of leading the global market, the company introduced the Prius in 1997.

Change is part of TMC's leadership as well as being environmentally friendly when making cars and despite the current crisis facing all automobile makers, TMC remains a leader deriving from change as their main culture.

Leadership and Motivation

Both leadership and motivation have emerged as some of the most important aspects of an effective management of people and referred to as two elements that complement each other.

In the 21st century, organizations are seeing leaders as those who set direction, has clear vision, inspire and motivate teams in achieving tasks. Once motivated, employees begin to prioritize organizational goals and culture, thus encouraging change and its adherence.

TMC's Leadership Approach

TMC doesn't follow a set of rules but rather exercises very unique values and approaches that set them apart from others. They believe in building employee's strengths as well as building cars. (Liker, 2004)

Chemers, (1997) referred to leadership as a common task where people support one another. Hiebert et al (2001) on the other hand associated leadership with interpersonal relationship and corporate strategy.

At TMC, Managers involve their subordinates into the thinking process which also reflect part of McGregor's (1960) Theory-Y (participative style), and adjust themselves to situations depending on the project, or resources available which is reflected in Fiedler's (1967) approach. Fiedler (1997) further highlighted the environment as being the principal factor that influences leadership. He referred to this as contingency theory and placed leadership styles in two categories, task-oriented or relationship-oriented and situations in " high-favourable" and " low-favourable". He came to the conclusion that task-oriented leaders perform more effectively and that when the level of situation favourability was intermediate, relationship-oriented leaders performed better.

The leadership philosophy at TMC can be represented by the 2-dimensional leadership matrix of " The Toyota Way", (Liker, 2004) where leadership styles have been divided into four types: Bureaucratic Manager, Group Facilitator, Task Master and Builder of Learning Organizations.

Again we can distinguish similarities here to that of the Blake and Mouton Managerial Grid (1964) where the organization man manager shows the ability to balance between organization's goals and people's needs. John Adair's (1973) Action-Centered Leadership Model proposed that a good leader must perform following 3 main responsibilities.

Figure 4. 1: The Action-Centered Leadership Model

Source: Adair (1973)

A good leader in Adair's (1973) point of view is the one who create balance between these three circles.

TMC achieves performance by giving importance to both production and people (team), but in doing so people and production needs are left unfulfilled. This is almost a subtle way of telling people what to do as represented by the next graph.

Figure 4. 2: The TMC Leadership Model

Source: Liker (2004, P. 196)

Liker (2004) associated " The Toyota way" with that of the organisation that is building a " learning organisation" which nurtures the abilities and motivation level of its team and plans ahead in order to get the maximum out of employees. This has so far resulted in them setting example to many organisations by adding values to their existing culture.

The 4P model of " The Toyota Way" studied by Liker (2004) put people on the third level from the bottom up along with long-term vision of the company's goals and adequate knowledge of technical and management skills.

This is all well but we can argue that the primary goal as well as injecting that vision and knowledge to people should also include putting people at the very top since without them nothing is possible. Such an approach will allow employees to feel even more part of the company, motivates them further and enables them to put a maximum effort in order to achieve a longer-term success.

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However, at TMC, leaders encourage and respect position and decision making capabilities of their people working from the very bottom as many of them recognized having started at the bottom. (Gertner, 2007)

Deriving from Fiedler's Theory (1967) and Adair's Model (1973), development of mutual trust and respect are very important to TMC's management relation which is the primary key to HRM practices in the 21st century. (Toyota's CSR Initiatives, 2010)

TMC's Motivational Approach

For most organisations, the ultimate goal is to make the employees work at their full potentials and this cannot be achieved easily as every individual is motivated differently.

The concept of motivation has been developed by many scholars over the years. Fritz Heider (1972) developed two concepts of motivation which were - Intrinsic and Extrinsic and which he believed were driven by the factors including employee's attribution, beliefs and desires.

Similarly, Maxwell (2008) discussed motivation factors where he associated needs, values and goals to people's level of production.

Figure 4. 3: Employment Motivational Factors

Source: Maxwell (2008)

TMC is constantly committed to making improvements rather than just responding to problems that occur. The management develops friendly

relationship within the teams and recognises their improvement. As a result, 94% of ideas in the company are adopted.

For a Japanese company which guarantees life time employment, this is an obvious expectation because it allows internal promotion and develops motivation.

However, motivation is a concept that changes with time and research on dynamic motivation carried out by Herzberg (1987) in his “ Dual Structure Theory” pointed out that the diversity of motivation distinguishes between motivators (challenges) and hygiene factors (job security).

But how important is job security in the 21st century? It is clear that being made redundant is no longer a threat and bigger organisations like TMC need to work harder in motivating and retaining their employees particularly in an age where competition and changes in the environment are part of their day to day lives.

Heider (1972) believed that intrinsic motivation was driven by employee’s own self-esteem rather than financial reward which is often short lived and costly, while the extrinsic concept was influenced by the outside.

Other factors were studied by Maslow (1954) in his Need Hierarchy Theory where he highlighted human needs as being very important and need to be satisfied if advancement was to be made possible. Agreeing with McGregor (1960) and Heider (1972), Maslow found money the least important.

TMC recognises employee's participation and money isn't used as motivator. At least not from what we have seen from their recruitment, selection and training strategies and team work structure.

For any project implementation purposes, managers will need to further develop the process of working together by perhaps understanding employee's needs rather than those of the organisation. This can assist in promoting motivation and therefore adhere to the organisation's cultural implications which are becoming more homogenous in today's business environment. This also presuppose an understanding of employees own culture and context.

TMC and Cross-Cultural Issues

Taylor in the 20th century, studied how employers can increase their workers efficiency and decrease waste, later referred to as Muda by Japanese. TMC with their Toyota Production System champions this culture as well as what the company refers to as Kaizen which means team.

Although Kaizen happens to be the improvement of Toyota's culture, it differs from the philosophy of 'Command and Control'. The methodology of Kaizen is based upon monitoring results and making changes.

TMC employs the very best people and trains them on cross training issues. By doing so, managers believe they are removing any problems from the root. But people are different and being a global company implies employing people who are culturally different. This therefore raises another concern about how diverse TMC really is.

As earlier discussed, TMC is a global company still mainly run by its Japan headquarters. Its top leadership does not include foreign executives. This has resulted in slow problem solving of recent crisis of product defects.

The National Highway Traffic Safety Administration (NHTSA) recently stated that the heart of Toyota's issues lies in its secretive corporate culture in Japan. (Financial Times, 3rd March 2010, P. 22)

The interesting debate on these recent quality issues which is linked to the cross-cultural training and consultation factors is that TMC focuses on their 'Kaizen' concept, which is eliminating problems; whilst Americans and other Western consumers focus on the 'transparency' concept which is based on the freedom of information.

Either way, organisations can hardly avoid mistakes. It is how managers address these issues that determine their future.

So far TMC has proven its success deriving from its leadership culture which has resulted in:

Promoting innovation and creativity as well as developing new ideas which are recognised by the management.

Continuous expansion allowing TMC to explore foreign markets and achieve stability in the global economy.

Efficiency and uniformity of the workforce allowing the maintenance of a respectable level of stability and competitiveness in the business environment.

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However, limitation of promotion prospect TMC might lead to a need to consider using more Total Quality Management (TQM) which results in rising cost for the company. This can also create inner conflicts considering the current rise in competition. Also, TMC should be mindful of the fear for disappearance of personal identity on the employee's side; because the majority of ideas are adopted from employees. They are treated as a team which limit their recognition as individual.

TMC and Diversity

Since the early 1990s, large organisations including TMC have recognised Diversity as being an important aspect of managing people and declared themselves as being committed to equal opportunities. (Cockburn, 1991)

Diversity is reflected in TMC's famous " respect for people and continuous improvement". Reichenberg (2001) referred to this as a perspective that made business sense and the United Nations in particular has embraced this philosophy which further proves the company's efforts.

However, being a Japanese company involves certain level of collectivism, which raises concern about TMC's diversity policy. Morrison et al (1991) used Hofstede's (2001) international cultural diversity study to demonstrate organisations relationship with their suppliers and customers and how these can be affected by diversity. For instance matching customer diversity to that of the service offered will imply considering ethnic differences which will lead to parties " speaking the same language".

This fits TMC because as stated by Lichtenthal et al (2001), the company

benefits from matching its sales people to demographic attributes of buyers
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since buyers are more trusting of those who share similar cultural attributes to themselves.

Managers often need something to go wrong in order to decide that change is necessary and prepare employees to cope with it. Claiborne (2001) discussed Toyota's racist advertisements and this led the company setting out a \$7.8 billion, 10-year diversity program.

Conclusion

We have seen that successful people management comes through a process of selection, training, teamwork, leadership, motivation, involvement and participation such that employees feel their needs and interests are being appropriately addressed. When combined with the organisation's own requirements for achieving efficiency and effectiveness, this emphasises the need for managers to provide leadership which is characterised by both strong task and relationship orientations.

Both leadership and motivation go hand in hand because for any form of task to succeed, a leader with motivational skills is needed in order to get results.

TMC is an excellent promoter of Diversity and contributes in areas such as education, safety among young people and programs such as Toyota Teen Driver, Mothers against Drunk Driving (MADD), sponsors events for non-profit organizations like YMCA, National Multiple Sclerosis Society (NMSS) etc.

However, in the 21st century, managers are faced with many other challenges including uncertainty and constant changes in technologies which all affect the implementation of projects and human resource development.

One ought to ask if TMC has remained stock in the 20th century with the classical thinking where division of labour, span of control and line of authority were pioneered by Fayol et al.

This is certainly reflected in the company's team work strategy earlier discussed. Also, although employees have a massive input in TMC's success, how far are they allowed to disagree with the proposed goal of the organisation as discussed by McNabb et al (1995)?

Perhaps the structure and success of TMC shows a different picture which promotes a learning organisation with their "Lean Training" and "The Toyota Way". But how flexible is TMC when it comes to employees? And are the company's leaders born or manufactured?

The answer ultimately lies somewhere in the middle as TMC has had mixed success stories and the management is able to provide the environmental support needed to motivate employees toward the achievement of their vision.

To lead an adequate change as proposed by Kotter in 1995 with his eight stage model, managers are faced with understanding the importance of employees need, vision, communication, empowerment and culture.

Implementing project will therefore involve the identification of the micro-processes that affect the day to day formal and informal life of employee, Cornelius (2003). Or with regard to change management, there need to be a clear line between people and the organisation as proposed by Fisher, 2005.

Recommendations

As discussed, managers are faced with several issues when dealing with implementation of projects in general. Making these issues manageable will require TMC to rethink its structure and level of control when it comes to team work.

It could be that the Japanese culture which is often too reliant on employee's efforts needs a different leadership style which will allow the company to meet international competitive requirements as they affect the organisation's overall success.

In terms of coping with the turbulent external environment, TMC should perhaps consider recognising individuals for themselves rather than the group. They can begin this change in African countries where they have a small percentage of market shares.

TMC promotes many of its current employees from inside the company. While this is good for keeping the company's visions and values, employing managers from outside might facilitate obtaining more open minded and goal oriented employees.

This is particularly needed now when questions are being raised about TMC's public relation and image due to the company's recent defect issues.