

Case study toyota crisis management



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Until recently Toyota had been a company synonymous with high quality products within the automotive sector and high levels of innovation, both within its supply chain and the company's production processes. So successful had been Toyota's approach to manufacturing and supply chain management that other companies, not only in the automotive sector have attempted to emulate Toyota's operational and philosophical approaches to manufacturing (Spear 2004, Spear and Bowen 2004), but also others within a diverse range of industries.

However, recent years have seen the company experience a number of issues related to product quality, which have in some cases resulted in mass product recalls. The worst of these events saw the company have to recall 8.5 million vehicles in 2010 on a global scale, causing significant issues for the company from a PR perspective (PR Review 2010) and damaging the brand significantly.

One of the problems for Toyota in dealing with the current crisis from a PR perspective is the very obsession with quality its self. The company has clearly built its brand on the basis of offering the market products, which are of superior quality in relation to competitor products. However, sources (Hemus 2010) indicate that such an obsession with quality within the organisation has lead to a culture where poor quality has had an association with shame within the organisations culture. As such Hemus (2010) goes on to argue that such events, which have caused the need for the recall have in effect been as much the product of an organisational culture, which did not allow junior members to flag problems early on in the process. This Hemus (2010) goes on to argue has lead to a PR problem for Toyota, in that the

company is now seen as being in a reactive position rather than a proactive one.

From an analytical perspective the literature (Hermus 2010, PR Review 2010) indicates that there has been a conflict of interests between the needs of good PR management and the organisations culture within Toyota. As such, one view is that poor elements of Toyota's PR campaign have been due to a mismatch in organisational culture in relation to the needs of the environment, rather than the fact that the company's PR officials have planned and managed the campaign badly.

Davies (2010) indicates that this is not an uncommon problem for organisations and refers to the phenomenon as “denial syndrome”, the issue is often the product of disbelief in large organisations such as Toyota who pride themselves on high levels of quality. The result can often be that instead of forming an effective and fast communications strategy, time is wasted asking how this managed to happen in the first place, rather than dealing with the issue at hand. Such a response then leads to a poor image of the organisation within the media, giving the media and public a view that a company is slow and reactive rather than agile and proactive.

Dobson (in PR Review 2010) argues that once a crisis strikes an organisation, media interest in the organisation instantly increases. At this point Dobson argues that the most important thing is for the company in question to give full disclosure of the nature of the problems which has hit the organisation. Dobson (in PR Review 2010) argues that failings in the early stages of the PR campaign of Toyota lead to a view that Toyota was disengaged with its

consumers and lacked sensitivity over issues with the product which were safety based.

There are however, some positives of the Toyota PR campaign to consider. Sudhaman (2010) indicates that Toyota's response to the issue was different in the US to that of Japan and the rest of the world. Whilst in Japan Toyota attempted to manage the issue "in house", a Japanese cultural preference but not a very effective one from a PR perspective. In the US the company appointed a dedicated external agency in the form of Lerer and Montgomery, a move which helped Toyota to manage its communications with the public much more effectively in the US than in other markets.

Secondly Sudhaman (2010) indicates that after an initial slow response, Toyota made use of novel and contemporary technologies to effectively communicate with their customers. Such a deployment of technologies saw Toyota making use of such social networking tools as twitter and facebook, a tactic which it is believed has been particularly effective for Toyota in the management of its PR campaign.

PR issues may also be seen as problematic for market leaders such as Toyota, Toyota's UK director of PR indicated that once a PR crisis is encountered, companies who are market leaders often become a "magnet for criticism" (Murphy 2010). This makes the management of PR even more important than where a company does not occupy a market leading position.

Murphy (2010) gives a differing account of Toyota's response to the crisis in the UK than is considered in regard to Toyota's global response. Here it is indicated that Toyota attempted to stay ahead of the media by attempting to

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have a prepared response to every story in the British media, with a focus on identifying what issues Toyota had faced and what the company had done to rectify the problem. Murphy (2010) indicates that in the UK Toyota's publics fell into two broad categories, the automotive industry press who were generally sympathetic, given that such product recalls are not on all accounts rare occurrences. The second category being that of the general press who generally took a more sensationalist and unsympathetic line to the story.

One of the key problems identified throughout the campaign from the Toyota UK perspective is one of co-ordination. Whilst the UK PR team had sought to enact a generally proactive approach to the company's relations with the media. There were considerable delays created by the need to often wait for an official response from the Japanese head office, an issue which helped to create a poor PR image for Toyota in other parts of the world such as the UK and US.

One crucial consideration for Toyota is how its brand equity will have been affected throughout the crisis and beyond. Given Toyota's general business and marketing strategy as a differentiator, associated with high quality products, the need for a product recall has affected the brand to a greater extent than if an alternative strategy has been in place, such as that of the cost leader model (Porter 2004). Whilst damage has been significant, sources indicate that Toyota's brand reputation has recovered quicker than analysts had expected. Initially analysts had expected that it would take at least six months for Toyota to overcome the initial damage to the brand (AM 2010), the initial damage saw Toyota fall from the 7th preferred brand in the <https://assignbuster.com/case-study-toyota-crisis-management/>

UK to the 40th by the end of February 2010. However, research has indicated that the weeks following Toyota's initial bungled attempts at PR management have seen satisfaction levels rising and the Toyota brand climbing back up the UK brand index again (AM 2010). One concern for the company is that whilst satisfaction levels have been rising amongst its current customer groups, who have actually been affected by the recall. The company is having a tougher time rebuilding the reputation of the brand in relation to the wider population. This may have a significant affect upon Toyota's ability to gain new customers in the future, should the issue not be addressed sufficiently.

Having considered Toyota's largely bugled attempt to manage its PR campaign it may be worth considering this against the five stage framework provided by Fearn-Banks (2007). Here it is indicated that the five relevant stages of a PR campaign include detection, preparation, containment, recovery and learning.

In considering Toyota's campaign one can see that the first two stages of the model were effectively ignored. A culture which saw defects in quality as a source of shame has led to a scenario where junior members of the organisation have in effect failed to implement an effective detection process, thus allowing the problems to make it from the production stage to the customer in the first case (Hemus 2010). The second stage considers that of preparation, the concept that a company should have a pre-designed process and plan in place to respond to any such crisis from a PR perspective. Again Toyota may be seen as lacking in any kind of preparation

for such an event, the lack of preparation leading to accusations of the organisation being slow to respond unfolding events.

After an initial bungling of the PR campaign, one may consider that Toyota managed to contain the issue fairly well, once communications did begin to flow out from the organisation. Once the information did begin to reach the market, containment was adequate, with the manufacturer issuing a clear list of problems and a resolution package in the form of a product recall.

Empirical evidence from the UK brand index (Murphy 2010) would seem to suggest that overall Toyota's recovery strategy has been relatively successful. With existing customers responding well to Toyota's product support packages and open and honest style of PR management, once communications were issued from the company.

Considering the issue of learning, it is hard to assess to what extent Toyota has learned from its experience, without a further crisis occurring. However, interviews with senior PR officials (Murphy 2010) within Toyota would seem to suggest that the company has taken steps to implement the learning of this unfortunate episode in the company's history. Key learning's would be the value of a prepared response, before a crisis occurs, the importance of a fast initial reaction and the better co-ordination of responses on a global scale. In addition, one may consider that for Toyota, one of the key learning's is the value of the appointment of external agencies as opposed to trying to handle all PR activities " in house".

Having considered the research conducted, there are a number of conclusions which may be drawn. From a performance perspective, views

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are mixed as to how effective Toyota's PR management of the crisis have been. On the one hand, Toyota has been criticised heavily for its initial reactions to the problems encountered, the company was slow at getting information out to consumers and resulting actions were also viewed as slow in comparison to other manufactures. Despite this, there have also been some strengths for Toyota's PR campaign, not least the novel approach adopted by the company to embrace modern forms of communications such as twitter and facebook.

In summary one may conclude that Toyota's PR campaign has overall been one of later successes, but has suffered from an initial slow response and failure to react straight away to the issue. Whilst later management of the campaign may be viewed as effective, the campaign overall struggled to get over the company's initial slow response.