

Crisis and issues faced by toyota business essay



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This group project analyses the crisis and issues faced by Toyota Motor Corporation in late 2009 due to reports citing sudden unintended acceleration because incorrect floor mat placing and faulty accelerator that saw 9 million of their vehicles recalled worldwide.

With these factors, we will look at what started the crisis and how it could have been prevented and solved. We will also put in a few of our recommendations that may help the crisis from happening again.

COMPANY INTRODUCTION

In 1933, being a division of Toyoda Automatic Loom Works was when Toyota started. The founder of Toyota was Kiichiro Toyoda, the son of Sakichi Toyoda. Under Kiichiro Toyoda, Toyota focused mostly on the production of automobiles.

In his travels to Europe and the United States in 1929, Kiichiro Toyoda investigated various automobile production and begun his research on gasoline-powered engines in 1930. With the encouragement of the Japanese government, Toyodo Automatic Loom Works started to research and develop automobile production in hopes to increase sales of domestic cars.

Toyota Motor Corporation was established as an independent and separate company in 1937.

Toyota was committed to truck production for the Imperial Japanese Army during World War II. The trucks had a simple design such as having one headlight in the middle of the hood.

Today, Toyota is the seventh largest company in the world with production facilities in 28 nations around the world. Worldwide, it is also the second largest manufacturer of automobiles.

In June 2006, Toyota had 52 overseas manufacturing companies in 27 countries outside Japan. Toyota markets vehicles in more than 170 countries and regions.

ORGANISATIONAL STRUCTURE

The type of organizational structure adopted by Toyota Motors Corporation is divisional structure.

Divisional Structure is made up of separate business units or divisions. Each of the divisions has a division manager who has authority over the unit and is responsible for performance.

DESCRIPTION OF THE ORGANISATIONAL STRUCTURE

Toyota's organizational structure is divided into four levels namely the Chairman, President, Executive Vice President and Senior Managing Directors

Toyota Motors Corporation is headed by Fujio Cho, the Chairman of the Company. The President, Akio Toyoda, reports directly to the Chairman and has authority over the executive vice president.

Each of the Executive Vice Presidents has different areas of responsibilities and has authority over their senior managing directors. These senior managing director report directly to the Executive Vice Presidents.

Executive Vice President, Yukitoshi Funo is responsible for the operation in Asia, Oceania, Middle East, Africa and Latin America with the help of Senior Managing Director, Akira Okabe who is the chief officer (division manager).

Executive Vice President, Atsushi Nilmi assumes responsibility over strategic production planning, production engineering and manufacturing. He oversees the operation in North America and China with the help of Akira Sasaki, Senior Managing Director, who is the chief officer (division manager) for the China operation group.

Yoshimi Inaba is the Chief Officer for the North America operation group.

Satoshi Ozawa will assume responsibility over Operation in Europe with the help of Senior Managing director, Yoshimasa Ishii who is the chief officer for the Europe Operation group.

The organizational structure adopted by Toyota is relevant to the organization. As Toyota focus is very much on quality, dependability and value, the organizational structure of Toyota has enabled it to focus on both result and quality.

The organizational structure also allows the headquarter staff to focus on long term strategic planning and improvement to product.

DIAGRAM – ORGANISATIONAL STRUCTURE

COMPANY CULTURE

One of Toyota's culture is outcome orientation. The organization has "strong beliefs in quality, dependability and value" which brings about the second culture of attention to detail.

The organization depicts attention to detail by adopting “ standardization of work in the manufacturing process. As the manufacturing processes are standardized, Toyota was able to focus their attention on the detail which helps to ensure quality.” 4This is in line with Toyota’s culture of outcome orientation.

The third culture is team orientation. “ Toyota organized its workforce into teams and each team member is responsible for quality inspection, problem solving and generating ideas” 4 for continuous improvement.

The last culture of Toyota is innovation and risk taking. Throughout Toyota’s history, the company has come out many types of motor vehicle. As the company involves itself in a certain level of risk taking, it has become one of the leading creators of motor vehicle.

However, some of the Toyota’s culture may be responsible for the crisis that happens in 2009. Because of standardization of work, the process of manufacturing gets repeated over and over again, making the job seem boring. This will cause the worker to lose concentration which resulted in a lapse of quality.

The culture of continuous improvement may also have caused the crisis. As the company focuses on continuous improvement, they try out new ideas that have not been fully explored. For example to make a thing a certain way to improve the vehicle further, however, they fail to see that the improvement made to the vehicle might cause a problem.

For this instance, the improper installation of the floor mat that result in the accelerator getting stuck and causing tragedy. In conclusion, Toyota still has a strong culture which has enable the company to become one of the most reputable companies for quality.

THE CRISIS

In late 2009, Toyota Motor Corporation saw 9 million of their vehicles recalled due to reports that several vehicles experienced unintended acceleration. The sudden unintended acceleration (SUA) was the main crisis that Toyota faced; causing a chain of reaction that resulted in a series of other problems.

Sudden unintended acceleration (SUA) occurs when the vehicle accelerates from a stationary position without the driver's intention or control. The reasons for it happening vary from driver error to faulty car parts. However, in Toyota's case, it was assumed that due to a trapped accelerator pedal when the driver's floor mat was incorrectly placed that caused the SUA. This assumption initiated the first recall on 2 November 2009. 5. 2 million vehicles were affected. It was later found that a mechanical sticking of the accelerator pedal caused the unintended acceleration. Another 2. 3 million vehicles were recalled for that problem. 1. 8 million vehicles were found to have both the problems and were promptly recalled as well.

In February 2010, a recall was also made for the hybrid anti-lock brake software. Although this was a recall different from the initial incorrect placement of the floor mat, it affected Toyota's image and brand name worldwide.

With the economic downturn in 2009, Toyota faced a further financial problem with the recalls of the faulty vehicles. This resulted in the numerous jobs lost and shares plummeting in value by 15%.

On 28 August 2009, Mark Saylor, an off-duty California Highway Patrol Officer, was driving on the highway with his family when his car, a Lexus ES350 unexpectedly accelerated without control. Upon collision with another car, it descended down an embankment and caught fire. One of the passengers called 911 while the car was speeding at over 100mph, reporting that the car has “ no brakes”. All four were killed in the crash.

Reports from Toyota and local authorities showed that the Lexus may have the wrong floor mats installed, causing it to meddle with the gas pedal.

(motortrend.com/features/.../index.html)

Further complaints stated that other several vehicles also experienced the SUA. Reports showed that these vehicles had a defect acceleration pedal. The vehicles affected were the Prius, Prius Plug in, Sei and Lexus HS 250h.

Following the reports of faulty vehicles, falling consumer confidence on the Toyota brand and the fact that Toyota was trying to recover from the economic crisis of 2009, the company faced declining sales and decided on the suspension of sales for models of the affected cars and closed down six factories. This resulted in the loss of more than 6000 jobs.

PROBLEMS LEADING TO THE CRISIS

It has been suggested that due to Toyota's rapid growth and need to be the top between year 2000 and 2009, was the root problem that lead to the faulty vehicles and subsequently, the recall.

The rapid growth and building of 17 new production sites as well as the over reliance on technology caused Toyota to forgo quality checks for some of their cars.

Managers must aware of fast technology like equipment, tools or operating method that are designed to make work more efficient.

Wakatsuki, a former assembly worker related how Toyota tested the safety and quality of only 60% of the cars produced. In the past, every car went through stringent checks and testing.

Toyota didn't look into customer complaints and acted too slow when safety complaints came in. There were suspicions that Toyota knew about the faulty vehicles as early as September 2009, however, they only acted on the problems in January 2010.

The organization should demonstrate Social Responsible Actions. There are the Social Responsibility, Social Obligation and Social Responsiveness. Social responsibility mean if the corporation must admit the mistake if they done something wrong. Such as milk powder that was sold by China. As it added Melamine in the milk powder.

ALTERNATIVESTO RESOLVE CRISIS

The main crisis was faulty acceleration pedals.

Toyota decided that the best way to rectify the problem was to have the faulty vehicles recalled for repairs and proper checking. However, the decision to recall was not made immediately when there were early reports about the problem. There were reports stating that Toyota knew of the problems in September 2009 although the recall was only initiated on January 2010.

While we agree that the recall was a good solution, it would have been better for Toyota to tackle the faulty vehicles the moment complaints started coming in. The company should not have tried to hide the reports in order to save their branding. Rectifying the problem immediately would have definitely prevented further problems and possible accidents. It would have also restored consumer confidence knowing that Toyota was prompt in reporting a problem with the cars and had plans to fix the problem.

It was good to know that Toyota suspended sales and productions of the vehicle models that were suspected to be faulty, preventing more complaints and declining consumer confidence.

Toyota admitted that for the past few years, they have been expanding its business rapidly and this growth has proven to be too quick for them. They may have over looked the priority of safety, quality and volume. All these according to Toyota have made them become confused. 6

RECOMMENDATIONS

Although Toyota were eager to expand their business and grow their production, it's critical that they keep their quality and safety in check.

To meet the growing demand of their cars, Toyota might choose to open a plant in a country that allows the company to save costs on production and manpower. However, they have to ensure that qualified and skilled technicians are recruited to affirm that the cars produced are of good quality and safe for driving. “ The corporation must adopt Single-use Plan during this critical time. This is a one-time plan which specifically designed to meet the needs of a unique situation.”

Toyota may rely on new technology to help with the production of the vehicles. Although it may be cost efficient, it may not always be the best choice. Over reliance on technology was what caused the faulty acceleration pedals as Toyota took for granted the safety of the cars.

Technicians would have done proper testing and safety checks have been done prior to the sale of the vehicle. There might have been some oversight by the checks done by machines. Manually checking of the vehicles would ensure that nothing is out of place.

As the company is steadily growing, it should not forsake the employees' welfare and health. Should employees be overworked, especially those in the production line, human errors may occur that will compromise on the quality of the car.

With the recalls, technicians will be kept busy with repairs on the numerous vehicles. Overworked, fatigue will set in causing occasional human errors that may have been avoidable. Managers need to ensure that employees are given the right amount of work load and clearly explain the expectations

needed for the work. Managers should also arrange a discussion with the non-managerial employees for their feedback on their work load.

Should the work load be too much for the technicians to handle, Toyota can look into employing workers on a contract basis. This allows the work load to be divided equally and when things are under control, the contract staff will be relieved of their duties. Toyota should have Family-Friendly Benefits that provide a wide range of scheduling that allow employees more flexibility at work and accommodation their needs for work and life balance.

The various teams in Toyota should practice better interaction. This way, problems faced in one team can be shared and discussed to maximize on the plans to face the problems. Toyota should also make it a point not to have any secrets or hidden agenda between teams and realize that the different teams are working towards a common goal: making Toyota a successful company.

Manager needs to know the Parochialism. Managers only see things through their own eyes and from their own perspective. Different countries have different values, morals, customs, political and economic systems and laws. All these can affect the managing of the business.

If a team faces consumer complaints, they must be quick to address it and not hide from the upper management and other teams. This is to prevent the problem from escalating and turning it to another crisis. This is known as Social Responsibility.

When the vehicle model is a success to the consumers, the company should reward the employees for the work done. The rewards can be in monetary forms or organizing activities such as sewing classes, sports activities or a short holiday trip. This not only allows employees to distress, it also enables bonding. The recognition of good work will motivate the employees to strive harder in their job to give their best for the company. This is known as Social Responsiveness.

Managers of Toyota should set Goals and develop Plans. The Traditional Goals were set by top managers and flow down through the organization and become sub-goals for each organizational area. And it must be a short-term plan with a time frame of one year to solve the crisis.