

Introduction supply chain management of the toyota recall marketing essay



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The Toyota Recall

The recent recall of thousands of motor vehicles by the Toyota Company represents a significant event within the organizations history. In being widely regarded as one of the top companies in so far as their management and manufacturing processes are concerned, the company has arguably suffered a serious blow by the faulty accelerator units that have been the cause of such a recall. The question arises though as to whether or not this very issue could have been prevented from occurring, and not only does the quality control and quality management come into play but the respective supply chain within the context surrounding the accelerator units should come under analysis.

Organization Background

The Toyota Company has long since been touted as being a leading example in so far as quality management, supply chain management and related issues within the organizational setting. With authors providing insight into the so called “ Toyota Way” (Liker 2004), “ Toyota’s keiretsu strategy” (Hino 2006), “ Toyota’s Renowned System” (Iyer 2009) and “ the lean production system” (Wisner, Tan & Leong 2009), amongst others one certainly is pointed to the fact that the company is well respected within the greater industrial and manufacturing sectors. This does not take away from the fact that something went wrong along the way and is evidenced by the mentioned recall of thousands of motor vehicles, not to mentioned the possible brand damage and financial implications that may impact upon the organization in question. One may further argue that this could possibly have

been averted, with the proper supply chain management controls and checks in place to prevent this from occurring.

Liker (2004) provides a number of key issues relevant to Toyota's supply chain management, such as the levelling out of production schedules by building up inventory as well as additional manufacturing processes, which according to the author appear at face value to be somewhat counter intuitive. However these processes that Toyota have fine tuned over the many years of operation may have come to a point of complacency or even excessive cost efficiency, resulting in the mentioned recall of these motor vehicles.

The Toyota Production System (TPS), discussed by Lyer (2009) provides that this system is central to the factories of the organization and the supply chain management is much greater, held in the fact that " it spans suppliers to Toyota as well as possibly the suppliers' suppliers, the distribution channel, the dealers and ultimately the consumers". This statement really justifies the fact that Toyota as an organization, and within the context of supply chain management, is ultimately responsible for any of the defective or inadequate technologies that were installed within their product system and motor vehicles.

One may argue that there are two main issues that may have contributed to the lapse in quality management, being that of too much cost cutting or seeking unnecessarily high cost efficiency and / or that of complacency within the quality and resulting supply chain management process.

According to the US authorities who are largely behind the recalls of the

Toyota vehicles, the key issues surrounding such insistence is based upon the vehicle safety aspect, and the possibility or eventuality of any injuries or deaths occurring as a result of defective parts within the motor vehicles. According to Reuters, the ongoing investigation into the possible safety concerns have revealed that “ cases of unintended acceleration in Toyota vehicles have been linked to more than 50 deaths in the United States over the last decade” (reuters. com), these facts certainly bring into question the quality and supply chain management of the company.

The extent to which this recall has affected the motor vehicles produced by Toyota is worth mentioning, as this directly impacts upon the financial aspects in dealing with such a recall, and therefore directly affects the bottom line of the company. There are two main issues with regards to the recall, being that of accelerators sticking due to condensation as well as being held down by floor mats in the vehicle. A total of 8 million motor vehicles have been recalled since October 2009, on a global basis. In addition to this the company has been forced to stop production of some of the motor vehicle models in question and from a regulatory perspective the Toyota Company has agreed to pay a \$16, 4 million federal fine in the United States (Reuters). These facts therefore provide the basis of how when something goes wrong or amiss within the supply chain how the effects can reverberate into various areas of the company in question. According to Willacy (2010) the financial impact contributed to a reported net loss of nearly \$5 billion last year, although the latest reports reveal that the production and sales of Toyota are significantly improved on a year on year basis, despite the recalls and related losses herein described.

In its broadest sense the supply chain is concerned with the provision of the product or service from the provider to the user, and incorporates all relevant processes, people, systems, materials and so forth within this “cycle”. The supply chain of Toyota, or any company is not merely limited to that of parts, and the production phase, but affects a wide variety of components of the business in question, which in turn filters down to the very employees that are responsible for implementation of policies and practices within the organization. This aspect of the supply chain management process is vitally important to ensure that the related quality aspects are kept in check. Cox (1999) provides a holistic view of the supply chain management process within the fact that it is a “way of thinking” within an organization that increases operational efficiency and efficacy throughout all delivery channels, both internally and externally to support the delivery to the end user. This therefore implies that there is both a strategic as well as an operational aspect to the topic here, something which has been successful at Toyota, for many years, despite the recalls that have occurred both now and in the past. This approach is commonly referred to as the “lean paradigm” which in turn seeks out delivering maximum value to customers, reduction in over production tendencies, elimination of waste recognition of all stakeholders within the process (both internal and external), logistics management and transfer of lean paradigm to suppliers, network of supplies building long term relationships and win win relationships (Cox 1999). One of the main arguments here is that the waste concept within the supply chain must be reduced to an absolute minimum in ensuring the maximum value is delivered to the customer. Lyer provides that the majority of such waste within the automotive industry has been as “ a <https://assignbuster.com/introduction-supply-chain-management-of-the-toyota-recall-marketing-essay/>

result of poor supplier management” (p. 87), and hence such supplier management becomes important within the supply chain, however these mentioned faulty parts are said to have come from external suppliers, and this therefore raises questions with reference to such supplier relationships as well as the quality management aspect thereof. Within this case though, with the problems associated to the recall, and more specifically the various models of the motor vehicles that have been affected, including the likes of the Camry, Highlander, Avalon, Prius, Corolla, Matrix and Venza.

As previously stated the aspect of quality management or control enters into the picture here as part of the supply chain management aspect. The reason for this is that each and every aspect of the business process within the supply chain management needs to be monitored and improved upon where possible to ensure that the maximum quality is provided to the customer, failing which such issues as the linking of the loss of lives to faulty technology can occur and damage a business’ reputation and financials quite severely. Toyota has been quoted as being committed to the Total Quality Management (TQM) via their subscription to the Six Sigma concept, which strives for a 3, 4 defects per million produced (Liker). The additional term of “ Kaizen” is utilized within the Toyota framework, which loosely translated into English means continuous improvement (Liker), however it appears that such improvement may have been forsaken within the supply chain management process in favour of cost and production efficiency. Hence with such discussion of defects, one may surmise that the TQM issue must extend to the supply chain management process too, and with an estimated 8

million cars recalled it is questionable as to whether this was indeed the case.

The effect of the company's culture, and so called commitment to the quality process extends to the supplier, as was previously mentioned, and as confirmed by Winfield & Hay (1997). The authors further provide that the suppliers are often times invited or encouraged to participate within the design process of parts, all the while culminating an " atmosphere of long term trust". This trust, however is not forthcoming immediately, as is provided in the description of the selection of the suppliers for Toyota within the supply chain within the UK " Winfield & Hay provide that of the 2000 applicants in the UK only 105 were eventually chosen to become suppliers to Toyota. Interestingly enough the specific traits and attributes sought out by Toyota within their supplier selection process and actively pursued according to Winfield & Hay (1997) include that of:

Management's perceived willingness to learn and adapt;

Evidence of an existing proactive attitude to problem solving by staff;

Their collective willingness to meet the challenges of changed working practices.

These have a significant impact upon the suppliers of the Toyota, who in turn have to meet these demands, qualities and attributes extended by the company, and thereby eliminating many of the individuals or companies that will not fit into the Toyota culture and " way of doing things". However with such a straight selection and partnering criteria, the issue of the defective

accelerator pedals still arose, together with the media speculations and accusations of implied knowledge of the potential savings that the company had saved with respect to utilising particular suppliers, who may have been responsible for such defective parts and technology, highlighting once again that the possible striving for cost and operational efficiency may well have been the root cause of the defective parts and the declining of the overall quality within the manufacturing processes of Toyota.

As of the current date, the analogy of the Toyota Company with reference to the recalls, the TQM and overall supply chain management it appears as though the company has certainly taken the time and initiative to address these concerns correctly. This lies within the latest report of the company preparing to report an operating profit in excess of \$1 billion, even after the worst historical recall within the company's history. Within the entire process of the recalls, as well as the management thereof the company has undoubtedly pulled out all stops within their commitment to the end user, which is highlighted by their various initiatives in setting up focus groups, investigative and so forth. Toyota has furthermore remained open and honest regarding their entire operation, within which the agreed upon fine as well as the continued communication with Toyota customers, within which full mailings have gone out to each and every affected customer, as well as providing online search capabilities for customers to check whether or not they are affected by the recall in question.

Toyota's leadership has arguably remained consistent within their stated objectives of quality, and providing the best value to their end user despite the occurrence of the recalls. The way within which the entire process has

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occurred was resolved with integrity and efficiency that lies at the core of the Toyota culture. This may be likened to the 4th P contained within Toyota's corporate model, also referred to as " Genchi Genbutsu" or Problem Solving (Continuous Improvement and Learning), which is highlighted within the way that this entire process has been handled.

Undoubtedly the recall issue within Toyota may have had a significant impact upon the organization, and may furthermore have awakened a realization for the need of managing possible complacency within the organization ranks, and perhaps even the questioning of the efficiency at all costs. The positive way within which the leadership have managed this " disaster" within their quality and supply management processes is commendable and is realized in the recent operating profit reports as well as the resulting increase in both production and sales of the Toyota motor vehicles and brand in general.