

# Introduction and established toyoda automatic loom company



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## **Introduction**

One company that can be said to have changed the automobile industry is Toyota Motor Corporation (TMC). Since its establishment in the year 1937, Toyota Motor Corporation has evolved to become one of the best car selling companies in the world.

At the same time, Toyota is estimated to provide employment opportunities to about 317, 000 people at the moment, working as dedicated employees of the company. Major activities of Toyota Company started after the Second World War, when the company started to design and manufacture automobiles in large number. The history of Toyota Company is associated with Kiichiro Toyoda who was an excellent inventor and established Toyoda Automatic Loom Company that largely relied on his prolific designs (Toyoland, n. d).

As part to generate more capital resources, the company Kiichiro Toyoda licensed part of the designs to the British and the generated money was used to establish Toyota Motor Company, an idea that received government's support due to its military applications (Toyoland, n. d). Before the establishment of the company, Japanese armies relied on imported trucks, and as a result of depression that affected the world and the country at the same time, resources to import trucks became scarce (Toyoland, n. d). As a result, domestic production was seen as an avenue to reduce costs, create employment opportunities, and empower the country to be self-reliance (Toyoland, n.

d). Some of the automobile designs by Toyota Motor Corporation in the history include: Model A1 and G1 models, model AA, sedans, phaetons or model AB, Toyota model, GB truck, G1 truck, Toyopet or the model SA, SD models, RH model, Landcruiser, Crown, Corona, Avalon, Camry, and Lexus (Toyoland, n. d).

Toyota at the same time throughout history has been able to establish plants in other regions of the world specifically in Latin America and USA. Today, Toyota Motors has evolved as the global largest designer and “ manufacturer of automobiles, both in unit sales and net sales” (Toyoland, n. d). For instance in USA alone Toyota has succeeded in eclipsing Honda and sustained fierce competition to GM and Ford motors (Toyoland, n.

d). Further, in 2002, Toyota Motors incorporated 2010 Global vision, which according to the company is a vision aimed at achieving mobility needs in away that considers and respects environment and the people (Toyoland, n. d). Major themes in this Global vision include “ Toward a recycle-oriented society, toward the age of IT and ubiquitous networks, toward a mature society, and toward motorization on a global scale” (Toyoland, n. d, p. 1).

## **Toyota’s Organizational Structure and strategy**

Richard D. Daft, writing in the book titled ‘ Organizational Theory and Design’ observes that in defining what organizational structure is, it is important to put into consideration three important aspects: organization structure constitute formal reporting relationships that include number of levels in the hierarchy and span of control of managers and supervisors (Daft, 2009).

Second, organizational structure establishes the grouping together of

individuals into departments and of departments into total organization.

Lastly, organizational structure constitutes the design of systems to ensure effective communication, coordination, and integration of efforts across departments (Daft, 2009). According to the author, these three elements involve both the vertical and horizontal aspects of organizing, with each representing a structure that is more appropriate in certain specific organizational orientation.

Accordingly, an ideal structure should be in a position to encourage employees to provide horizontal information and coordination where and when it is needed (Daft, 2009). From 2003, Toyota Motors was seen to be causing ripples in the automobile industry as it undertook initiatives at high speed catching up with the industry's perennial leaders and dominant players like GM, Ford, and Chrysler (Griffin and Moorhead, 2009). Many people viewed this as a risk strategy, which upon failure would have severe negative impacts on Toyota Motors. However, on gradual note, the strategy has been working out as some instances of literature postulate that Toyota Motors has been able to outperform one or two of these companies (Griffin and Moorhead, 2009). As the strategy appeared successful, Toyota put in place strategies to re-invent itself and one of the re-invention strategies was to introduce new designs.

One of the changes that has characterized Toyota introduced by the management include introduction of a number of new designs such as introduction of Prius hybrid model in 2004 (Griffin and Moorhead, 2009).

When the success of this model was realized, Toyota was motivated to

introduce another hybrid luxury sport-utility vehicle known as the RX 400h  
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and today the company offers these two designs in the world's market estimated to be about 50 per cent (Griffin and Moorhead, 2009).

Accompanying Toyota's introduction of new designs in the marketing is the company's well-established and known reputation that, on wider global scale characterizes the company as one of the world's leading corporation to be involved in massive cost cutting. The company has continuously invented and improved guided by the kaizen (continuous improvement) philosophy. Kaizen has further been strengthened by the company's kanban (just-in-time inventory) systems (Griffin and Moorhead, 2009). The understanding of these two concepts is that the company's managers should continuously search for diligent ways of reducing expenses. At the same time, Toyota has engaged in making numerous low-tech changes that are aimed at bringing about cost savings while at the same time, be able to improve speed and quality (Griffin and Moorhead, 2009). Toyota's urge and need for change is not only anchored in its favor for designs, processes and technology but also the company has undertaken broad initiatives to update and 'repackage' its organizational structure by replacing some of its top managers (Griffin and Moorhead, 2009).

At the same time, the company is integrating some of its far-flung divisions such as the business unit. With the coming of Watanabe as the new CEO after retire of Fujio Cho in 2005; change at Toyota has become an inevitable aspect as the new CEO pays attention to the aspects of cost cutting and quality control measures (Griffin and Moorhead, 2009). Watanabe has characteristically embarked on shuffling organization's managers as part of his wider aim of having new and fresh blood in the top management of the

company. To make these changes more meaningful and genuine, the Company's leadership is at the time involved in updating the organization's culture. For a long time, Toyota Motors has been accused and viewed by many to be too conservative especially in its design, too focused on the Japanese market, as well as too timid and slow in adopting revolutionary innovations (Griffin and Moorhead, 2009). As a show of changes taking place at Toyota, Maryanne Keller, an auto industry consultant noted that Toyota's CEO was more focused and determined t pushing for more reforms, more openness, more alliances, more speed, and more risk taking (Griffin and Moorhead, 2009). Today these changes continue to bore fruits since from 2007 although the world witnessed financial turmoil in terms of recession profits margins at Toyota increased by 4, 7 per cent.

Further, the company has invested about \$16 billion in cash to enhance its research and development together with growth and as today it stands, re-invention constitute and define Toyota's winning strategy (Griffin and Moorhead, 2009).

## **Organization change process**

Today, organization change is seen to be inevitable feature especially given the competitive environment that businesses are being subjected to (Harigopal, 2006). Change in general manifest itself in two forms: intended change and unintended change.

Intended also known as planned change usually takes place with aim of bringing about systematic change in an organization in order to increase or improver organization's effectiveness (Harigopal, 2006). Numerous models

exist today that explain how change process can be undertaken and such models include “ Lewin’s model of change, the planning model, the action research model, and the integrative planning model” (Harigopal, 2006). With regard to objectives of this research, attention will be paid to two major models: Lewin change model and integrative planning model. Lewin change model postulates that change constitutes processes of modifying the forces that tend to keep a system’ behavior stable and that change can be planned by modifying the existing state through either increasing the forces pushing for change or reducing the forces that maintain the current state or even in some instances apply a combination of both (Harigopal, 2006).

Further, this model postulates that there are different levels at which change can occur in an organization. These levels of change are individual, with aim of changing individuals’ behavior, values, skills, and behavior (Harigopal, 2006). In addition, there is structural and systems change, where the aim is to change or modify work design, reporting relationships, and information systems and even reward systems (Harigopal, 2006). Third level of change can take place at the organizational level where realization of change may be manifested in change of leadership styles, interpersonal relations, decision-making, and other aspects at this level (Harigopal, 2006). On the hand, integrative model of planned change postulate that an organization exists in different states at different times and that planned change can occur from one state to another (Harigopal, 2006). Integrative model of planned consists four phases that include exploration phase, in which the organization makes a decision on whether to plan for specific changes and allocate resources for that particular change.

Next phase is the planning phase in which planning for change starts and usually comes about as a result of particular problem facing the organization. After diagnosis of the particular problem to be modified, planning process sets in. Third phase is the action phase where changes derived from planning are implemented at this stage. It is within this phase that the organization aims to transform from its current state to the desired future state.

Last phase is the integration phase in which changes are incorporated as part of regular organizational functioning after undergoing successful implementation. The new change behavior in the organization become reinforced through feedback, incentives, and reward system (Harigopal, 2006). Organizational changes at Toyota Motors In 2009, Toyota Motor Corporation announced major change initiatives as part of its organizational change (Toyota Motors Corporation, 2009). The organization change undertaken by the company rested on the theme of “ reinforcing necessary functions and implementing that contribute to more efficient organizational operations to better respond to priority issues of each individual field and group” (Toyota Motors Corporation, 2009, p.

1). Types of changes that the company anticipated to pursue included the following: I. Business Development Group The change to be introduced was to see the business development division being merged with marine business division; the two form a new division known as Business Development Division& the Marine& Unit Business Division (Toyota Motors Corporation, 2009). The aim of this initiative was to see the use of resources



between the two divisions carried out more “ effectively and increase the efficiency of the unit business” (Toyota Motors Corporation, 2009).

## **II. Purchasing Group**

The company’s purchasing planning department, the global purchasing promotion division and the parts of purchasing division were to be integrated and re-organized into the new created Purchasing Administration Department together with Purchasing Planning Division (Toyota Motors Corporation, 2009).

The purpose of this initiative was to ensure consolidation and centralization of purchasing issues and needs into the new Purchasing Administration Department in order to improve and strengthen the global strategies and project management (Toyota Motors Corporation, 2009).

## **III. Japan Sales Operations Group**

The initiative to be implemented in the company was to see elimination of the Japan Advertisement and Marketing Division where the functions performed by this division were to be transferred to the new Toyota Marketing Japan Company Limited (Toyota Motors Corporation, 2009). The aim of this strategy was to see much emphasis and focus is directed towards activities that target Japan Market while at the same time be able to reinforce the identified and specific activities (Toyota Motors Corporation, 2009).

## **IV. Middle East, Africa, and Latin America Operations Group**

Accordingly, the company intended to create a new division, with the purpose of this initiative centering on “ consolidating the product planning,

profit management, affiliate management and business planning functions of the Middle East, Africa and Latin America Operations Group in the Middle East, Africa, Latin America and Caribbean Planning Division in order to increase momentum and efficiency of operations” (Toyota Motors Corporation, 2009, p. 1).

V.

### **Customer Service Operations Group**

Change here was to involve the Service Parts Administration Division where this unit as to be transferred to the new established Customer Service Operations Group. The major purpose of this initiative was to ensure there is closer achievement and “ collaboration with parts and accessories divisions in Japan and overseas (in the service-parts segment) to achieve more timely supply and establish quality assurance standards” (Toyota Motors Corporation, 2009).

### **How success Toyota will be able to realize these changes?**

First, it must be realized that Toyota Motors has pursued strategies of lean manufacturing system where the company’s production system in built on the principle of ‘ just-in-time’ production (Bauer and Erdogan, n. d). The essence of this principle is that raw materials and other supplies are exactly delivered to the plant when production is to take place and this has avoided tendencies to waste resources. At the same time, emphasis has been put on the importance of efficiency on the part of the employees specifically those located on the front lines (Bauer and Erdogan, n. d).

Assembly workers have been empowered in decision-making processes to take appropriate action when production line experiences a problem. Toyota Company has also been able to enact its change programmes by receiving help from its human resource strategies, culture and structure (Bauer and Erdogan, n. d). For the human resource, Toyota has employee programs and initiatives that are seen as employment opportunity more permanent and stable, there is also “ high investment in training and development, and internal promotions, all promoting a sense of employee ownership of the process” (Bauer and Erdogan, n. d).

With regard to culture, Toyota company has put more emphasis on the learning and modesty specifically by incorporating past successes in the company that isolate them from other competitors (Bauer and Erdogan, n. d). For example, the company requires and support employees to be experts in everything they do and as a result, the issue of specialization has been encouraged in the organization. From these aspects, Toyota Motors has evolved and established a effective structure that fosters internal communication.

Further, meetings in the company are frequent being held after “ every two days to coordinate the relations between chief engineers and functional managers” (Bauer and Erdogan, n. d). “ Other key aspects in the organization that facilitate effective functioning in the organization include effective communication channels such as presence of module development teams tasked with the role of harmonizing organizational operations and processes. These aspects have characteristically made Toyota Motors appear unique among auto companies since it is able to remain traditional and <https://assignbuster.com/introduction-and-established-toyoda-automatic-loom-company/>

bureaucratic while at the same time striving to be agile and innovative (Bauer and Erdogan, n.

d). The culture of the company focuses and emphasizes continuous and constant learning and improvement with employees being given opportunity to analyze gaps in the expected performance and therefore be able to change.

## **Conclusion**

Organizational structure is the key aspects to the success or failure of change in an organization. To fit into the challenges of dynamism in the environment organizations will be forced to undergo change if they aspire to remain competitive. Although there are two types of change - planned and unplanned - it is the planned one, which has the capacity to bring meaningful change to the organization. What is important is for the various organizations anticipating or planning for change to carry out the process more diligently. There is need to carry out environmental scanning before appropriating the necessary change needs and strategies. Key and formidable internal structures should be able to support the change process and such can result due to presence of change-oriented management.

When it appears, the management is not ready for change or re-organization then it becomes necessary for such management team to be substituted with more change-oriented management. All in all change process is seen to be a tedious process that sometimes will results into failure but this should be an excuse not to undertake change. All organizations should be prepared to embrace and employees of the company or organization should be

involved and even incorporated into change decisions for the whole process to succeed.

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