

Toyota: origin, evolution and current prospects essay

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Introduction The growth of Toyota is one of the greatest success stories ever told in the Japanese industry. (Hill Charles 2005) Toyota has risen from an obscure Japanese automobile company to the giant it is today with its production intensifying from 100, 000 vehicles per year in 1947 to an amazing 8.

5million by 2006. The origin of Toyota Its founder, son of a carpenter and inventor, Toyoda Kiichiro's original interest lay in the textile industry but a visit to the United States in 1910, Toyoda Sakichi became intrigued by automobiles. His principal success was the invention of an automatic loom that made it possible to manufacture high quality versus low cost cloth. He later sold the patent rights to a British textile company for a million yen.

Following advice from his father Sakichi, Kiichiro used the money to study the possibility of manufacturing automobiles in Japan. He later became the director of loom production at Toyoda automobile loom with a degree from the University of Tokyo in 1930. At the time, Japanese market was subjugated by Ford and General Motors which imported knock-down car kits from the US and assembled them in Japan. This made Kiichiro hesitant at first to invest in automobile production. The board of Toyoda automatic loom, including his brother in law, and the president Kodama Risaburo opposed the idea dismissing it as too hazardous.

Had it not been for his father's deathbed request that Kiichiro explore the possibility of automobile production, Toyota would never have been invented. By 1933, after much convincing, he was able to get permission from the board to set up an automobile department in the Toyoda automatic

loom. He had confidence that he would be able to figure out how to manufacture automobiles by taking apart US since he already had substantial engineering skills and capabilities at his disposal through Toyota automatic loom. Kiichiro produced his first 20 vehicles in 1935 and 1936 and the automobile department produced 1, 142 vehicles.

Success was going uphill till fate intervened in the form of the Japanese military in 1936. An automobile manufacturing law was passed after it was discovered that American based trucks were being used to transport men and equipment. The law required companies that manufactured more than 3, 000 vehicles a year get a license from the government. In 1937, Rasiburo and Kiichiru successfully incorporated the automobile department as a separate company in order to attract investors. Thus the Toyota motor company was born with Kiichiro as its president.

The evolution of Toyota After its birth, the vision was to expand its passenger car production. However, in 1939 World War II broke out and the Japanese government following advice from the military, prohibited passenger car production and ordered production of military trucks. As the war ended, Kiichiro became determined that the company should reestablish itself as an automobile manufacturer. Nonetheless, the company experienced some tribulations. First of all, the domestic market was too small to support the mass-production and the economy was famished of capital making it complex to raise funds for new investments. In addition to that, new labor laws introduced by the American occupiers made it hard to lay off workers, not to mention competition from the Americans and Europeans who were

eager to establish operations in Japan. The government however came to their rescue and prohibited direct foreign investment by imposing high tariffs on importation of foreign cars. This though had little impact on the other problems.

At this juncture, into the scene came a remarkable engineer, Ohno Taiichi. Initially he was a production engineer at Toyoda spinning and weaving. (Womack and Jones 1990). He later joined Toyota in 1943 and worked in auto production for two years after which he was promoted to manage assembly and machine shops. By 1954, he was appointed a company director. The basic philosophy behind mass production at that time was to produce a limited product line in massive quantities to gain maximum economies of sale.

Five years into the business and after a visit to Ford US plants, Ohno realized there was a problem in their attitude in mass production. Lack of large warehouses, the initial machine setting was wrong resulting to long productions of defects, wrong division of labor and the mass production system was unable to accommodate consumer preferences for product diversity. After studying these flaws, Ohno took a fresh look at the techniques used in mass production. His goal was to manufacture auto body parts in small batches. With the help of his engineers, he successfully adjusted the time it took to change the dyes in stamping equipments. By 1971, hanging dyes in stamping equipment took as little as 3 minutes compared to Americans and Europeans who by 1981 took 2-6 hours to do the same.

(Sapsford 2004). Not only was it economical, but they enjoyed the benefits of reduced inventories and improved product quality resulting in reduction of warehousing costs. At the end of the day, Ohno was able to change the division of labor by imposing new rules and cutting the number of workers by 25%, improve the quality of the products and reduce hunger for warehouses.

By 1980, Toyota began spreading its wings. The constant upgrading of Toyota's models reached a logical conclusion with the introduction of luxury cars into the market by the company's luxury department in 1989. Despite a slow beginning, by 2001, Toyota was selling 200, 000 Lexus models a year in the US making it the best luxury selling company in the country (Charles 2005). Towards the end of 2004, Toyota had become an international company having 42 production facilities in 24 countries around the world, and a net profit of \$11 billion on sales of \$163 billion. It made more profits than GM, Ford and DaimlerChrysler combined which made \$30 billion in cash and short term investments. Current prospects With the high growth rate of Toyota Company, by 2009, when San Antonio landed a Toyota Tundra Pickup plant, industry experts had high expectations in terms of investments, employment opportunities and perhaps production of a second vehicle. But the company has breaks on expansion due to the global crisis (Womack and Jones 1990). The Japanese manufacturer maintains on not bringing new work to the 2, 000 employee plant till the present recession is in the rearview mirror.

Racked by a sheer downturn in sales, the company warned that it might incur its first loss in production in decades. The company is now looking to

cut more than \$15b in fixed costs this year, also canceling or delaying new production plants. The company has never made it official that it would add another line to its \$800m San Antonio plant, though a section of specialists hypothesized that Toyota may perhaps move production of a SUV such as the sequoia, presently manufactured at the company's Princeton plant.

Experts feel that consolidating work in the Toyota's newer and more efficient workshops may not happen any time soon though it would make more sense especially to a company that wishes to streamline and gain more market command.

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