

Management study of toyota



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Organization Studied:Toyota Motor Corporation

CONTENTS

INTRODUCTION

BUSINESS CONTEXT AND KEY MANAGEMENT ISSUES

HOW MANAGEMENT IS PRACTICED AT A TACTICAL AND OPERATIONAL LEVEL

HOW A “ POPULAR” MANAGEMENT TECHNIQUE IS EMPLOYED BY THE ORGANISATION

CONCLUSION

INTRODUCTION

Toyota Motor Corporation, founded 28th August 1937, Japan (Toyota 2018a) after its separation from Toyota Automatic Loom Works, Ltd., is a multinational motor vehicle manufacturer with a broad product portfolio, ranging from high-end luxury to low-cost economical vehicles. It is one of the largest producers of cars in the world, producing 10, 441, 000 cars in 2018, worldwide (Toyota, 2018b). This business was chosen due to its innovation in the management of the production process in car manufacturing.

Implementing the idea that not only the management of production should be focused on efficiency, such as JIT (Just-In-Time) production, but the organisation as a whole operating as one single mechanism. Another reason why Toyota was chosen was due to the age of the organisation, throughout its existence it may be useful to see if the introduction of new management theories, such as “ popular” management techniques, may have influenced

the workings of the organisation. The degree to which people and resources are managed must be highly effective and would therefore be interesting to explore further into the innovative techniques and processes, that have been implemented throughout the company's existence.

BUSINESS CONTEXT AND KEY MANAGEMENT ISSUES

Toyota Motor Corporation is a subsidiary to Toyota Industries Corporation (1926), one of the 3 main subsidiaries of Toyota Industries. Along with materials handling equipment (Toyota material handling group) and textile machinery (the original business) (Toyota, 2018c). While being a subsidiary itself Toyota Motor Corporation also has subsidiaries, these include; Lexus, Daihatsu and Subaru (Toyota, 2018d). Currently Toyota (Motor Corporation) has 51 manufacturing companies based in 28 different countries and regions, while selling products to 170 countries (Toyota, 2017). Toyota's product lines are highly diversified: including; small cars (for urban driving), Hybrid cars, MPVs (Minivan) & family cars, SUVs, electric, automatic, estate, 4x4s, LCV's and sports cars. While recently beginning to invest in driverless technology, aiming to have a fully driverless car by the early 2020s (Toyota Global, 2018). A large shift from the initial low-cost vehicles that gave the manufacturer its reputation in the 20th century.

According to Statista (2018) in 2017 Toyota had a market share of 9.2% (based on revenue) with its nearest competitors being Volkswagen on 7.2%, Ford at 6.5% and Honda at 5.5%. In 2016 they were knocked off the top spot for global car sales by the Volkswagen Group (Includes Audi, Skoda, Seat, Bugatti, Lamborghini, Bentley, Porsche) and as of 2018 remain third

after the rise of Renault-Nissan-Mitsubishi Alliance to second. The globally competitive market while definitely creates problems for Toyota it also provides opportunities as well, competition drives innovation and so given that the car market is reliant upon this it may lead to more efficient processes in the future and ultimately increase sales. This was highlighted in the early life of Toyota, where in order to be competitive against Ford and the “ Fordist” models of production, Toyota developed the starting components of a lean production system (e. g. JIT (Just-in-time) enabling them to keep storage costs low (Cheng and Podolsky, 1993) while simultaneously producing large gains in both flexibility and productivity (Boyer, *et al* .). Highlighted by the peak of success for the Japanese manufacturing industry in the late 1980s (Bannock, 197-).

The nature of the car market means organisations such as Toyota need to monitor and adapt to changing PESTLE (Political, legal, societal, technological, economic, environmental) circumstances in order to remain globally successful. Consequently, their managers must find a way to promote and implement this throughout the organisation. As seen with the increasing influence of environmental awareness and shift to electric vehicles, manufacturers are now faced with growing challenges and a need to change in order to keep up with new market trends (seen with the rise of Tesla). This is a step that Toyota has begun to take, with currently 2 fully electric vehicles and plans to diversify this to include mini-vehicles, trucks and passenger vehicles. While also continuing to improve and expand their hybrid range (Toyota, 2018e).

With economy at the heart of the organisation, the “ Toyota way” embodies this. Evident in the productive nature of the Toyota workforce, where in 1974 Toyota produced as many cars as VW (Volkswagen) but with only one-third of the total workforce (Bhaskar, 1980). Quality management is seen throughout the business and has been vital for Toyotas rise to power in the global market.

HOW MANAGEMENT IS PRACTICED AT A TACTICAL AND OPERATIONAL LEVEL

How management is practiced at a tactical and operational level would be of an interest in Toyota. The company gains its competitive advantage from being able to maintain high standards of quality, while still having lower pricing. The power of the Toyota brand is quality, so in order to maintain this the management and control at a tactical level must ensure that the high levels of quality can be reached but most importantly maintained. Failure in doing this was seen in 2009 where Toyota had to recall 1.3 million Yaris cars after a fire-risk defect was reported (Millward, 2009), significantly impacting the legitimacy of the quality associations of the brand. Though Toyota has recovered, the need to ensure that operational and tactical management maintains and manages quality to the highest standards is vital for the businesses success in the global market.

Management at a tactical and operational level for Toyota is manifested in the principles of the “ Toyota way”. Converted into 14 management principles by Liker (2004) (however only the principles that are relevant will be mentioned); decision making is long-term focused, continuous flow of production allowing problems to be identified, the use of “ pull” systems to

evade overproduction, the levelling out of the workload, getting quality right first time, standardisation and employee empowerment, the use of reliable and tested technology, live the Toyota philosophy and teach it to others, respect and challenge your suppliers so they improve as well, make decisions slow but implement them fast, become a learning organisation through continuous reflection and improvement. These principles are clearly highlighted in the way in which Toyota conducts TQM (Total quality management). TQM is the commitment of an organisation to total consumer satisfaction by constantly improving while developing and enabling the contribution and improvement of people (Mullins and Christy, 2016).

The main way in which this process is implemented In Toyota is through Kaizen (meaning “ improvement”). By allowing employees who are experts at their job (via specialisation), employees are able to implement improvements which they feel with enhance the process and improve efficiency without having to go through a rigorous screening process seen in other manufacturers. This empowers the employee (as seen in principle 6- “ standardised tasks and processes are the foundation for continuous improvement and employee empowerment” (Liker, 2004)). By empowering employees, they have degree of control on how they work leading to potentially more productivity as a result. While the business doesn’t have to directly invest any resources or capital to enable this. Kaizen could be seen as a constant micro-reengineering of employee’s jobs within the organisation (Hammer & Champy, 2001) providing flexibility in how they work.

However, Cane (1996) suggests though the traditional kaizen approach does offer responsibility too employees this is within a controlled barrier and is not

an entirely open process, perhaps giving an “illusion of freedom” and questioning the impact it has. Small incremental changes take time to have major impacts and while in certain cases kaizen has led to increased productivity, unless the whole workforce is united behind this approach then its impact is stunted. Managers at Toyota therefore aim to get employees to get behind this method in order to maximise its impact.

Toyota is able to help employees reach their potential while allowing relative freedom. In a sense in Toyotas production line each individual worker is their own manager. In doing so this approach synergises well with the other areas of the business. Aiming to continue to further enhance the efficiency of its tactical and operational management for the foreseeable future, while finding the balance between allowing employees the freedom to improve and adapt at their own digression while still producing results and exceeding expectations.

HOW A “POPULAR” MANAGEMENT TECHNIQUE IS EMPLOYED BY THE ORGANISATION

Toyota employs multiple “popular” management techniques in their organisation the most prominent of all is the “lean” style of production using techniques such as JIT, which have become integral to the organisation. It provides an interest to Toyota as it was arguably the spring board that launched them into the global market in the 1980s (Bannock, 197-) and the subsequent rise of the Japanese automotive industry as a viable alternative to western counterparts and the integration of these lean techniques to multitudes of organisations today.

The Just-in-time (JIT) manufacturing system, developed in 1978 by Taiichi Ohno, was the Japanese response to the methods of production American manufacturers took; high volume, long run, single product approach. With the aim to compete better in challenging markets (Beckford, 2016). The core concept of JIT was to continue the objective of the Toyota system: “ The consistent and thorough elimination of waste” (Beckford, 2016) by only producing what is demanded by the customer, providing the “ right item at the right time in the right quantity” (Dennis, 2007).

Toyota aimed to do this through 3 beliefs; the ordered and disciplined systematic approach to the eradication of waste, if training and opportunity is provided to workers they will readily contribute to improvement, finally organisations should use a “ push” approach (stimulating demand amongst customers) (Ohno, 1988). In terms of managing people, the JIT approach draws parallels to Taylors scientific approach whereby the organisation is viewed as a machine and workers another cog or resource like any other (Beckford, 2016) and so the organisation aims to maximise their efficiency in the most cost-effective way.

Ohno saw the inefficiencies of grouping certain machines together e. g. all of the presses together. So, in order to minimise waste and the time and effort that was used up in transporting goods from one process to another. In order to avoid this Toyota “ forced” workers to become multi-skilled by making them operate multiple machines allowing less people manage the same amount of equipment. From a management perspective a reduction in the span of control while the levels of hierarchy stay the same, allowing a reduction in the cost of the workforce while potentially motivating workers

more by allowing greater responsibility. However, this as Beckford (2016) stated would in the short term mean a reduction in the work force and potential redundancies, however Ohno argued that though this may occur in the long-term the workers that were kept on would be more loyal as a result (aligning with the idea of the Toyota way (Liker 2004)).

Through the JIT system Toyota has seen great efficiency in their production. Leading to decreased buffer stock while still increased output. Compared to Volkswagen (UK) where in 2017 they had £1, 718, 600, 000 in stock (majority finished goods), whereas Toyota (UK) had £108, 995, 000 (approximately) just over 10% of Volkswagens stock (FAME, 2017) while both having similar output.

CONCLUSION

“ The key to the Toyota Way and what makes Toyota stand out is not any of the individual elements.... But what is important is having all the elements together as a system. It must be practiced every day in a very consistent manner not in spurts” (Liker, 2004). Management at Toyota is heavily reliant upon the established process used in almost all aspects of the organisation. The continued use of these practices even after the 30 or 40 years in which they were developed emphasises the substantial impact they have had on Toyota, and how heavily they have been combined with the corporate identity of Toyota. With economic integration vastly increasing, manufacturers have fewer protective barriers to hide behind and so they must meet the global standards or pay the price (Wickens, 1995). As high quality becomes expected of car manufacturers, Toyota must continue to

operate to high standards, as such their management must continue to perform in order to meet this.

While maximising efficiency does provide companies like Toyota vast reductions in waste and enables them to get the best out of their workforce, there is a limit to the effect it can have. Given the rise of automation in the manufacturing industry in recent decades, the way in which managers manage may change considerably as workforces become increasingly automated in the future (Stewart, 2015). As for Toyota this may mean the restructuring of the production processes to enable better automation and the integration of new technology, such as AI. While management at Toyota will remain the same for the foreseeable future given the volatility of the technical innovation in recent decades there may be

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