

# Toyota: The Accelerator Crisis

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# TOYOTA

**Overview**

Toyota Motor Corporation (TM) is a Japanese multinational automotive manufacturer headquartered in Toyota City, Japan. It is one of the world's largest automakers, with a global presence in over 170 countries. The company is known for its reliability, quality, and innovation in the automotive industry.

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**Early Timeline**

- 1937: Toyota, under Kiichiro Toyoda, is founded in Japan
- 1938: Fiat, an ex-independent company, produces trucks for Toyota
- 1945: After disastrous post-war recovery, Toyota restarts production of passenger vehicles
- 1957: Toyota Motor Sales (TMS) est. in U.S.
- 1982: Joint venture with GM, called NUMMI, serves as a training program for U.S. operations

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**Timeline Continued**

- 1989: GM Sludge Crisis
- 2006: NHTSA reports ongoing in Toyota Camrys
- 2007: Global automotive market takes a steep dip

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**Timeline Continued**

- 2009: Toyota tops GM as top car seller internationally

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**Management Culture at Toyota**

- Toyota's management philosophy is based on the concept of 'Kaizen' (continuous improvement).
- The company emphasizes a 'lean manufacturing' approach, which focuses on reducing waste and improving efficiency.
- Toyota's management style is characterized by a strong emphasis on employee involvement and decision-making at the lowest possible level.

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Timeline of Toyota Management Philosophies

**'The Toyota Way'**

- Eliminate waste and improve efficiency
- Build quality into the product from the start
- Respect the people who make the products and services
- Continuous improvement: 'Kaizen' and 'Jidoka'
- Standardized work: The foundation of quality
- Visual management: 'Andon' and 'Kanban'
- Employee involvement: 'Kaizen' and 'Jidoka'
- Customer focus: 'The Toyota Way' is a customer-centric approach

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**The Oil Sludge Crisis**

Toyota's 2008 report on the oil sludge crisis was a significant event in the company's history. The report revealed that Toyota had been using a type of oil sludge that was not approved by the Environmental Protection Agency (EPA). This led to a major recall of Toyota vehicles and a significant loss of trust in the company.

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**Toyota's Position Right Before the Accelerator Crisis**

- Toyota was the world's largest automaker, with a strong reputation for reliability and quality.
- The company had a high market share in the U.S. and was a major competitor to GM and Ford.
- Toyota's financial performance was strong, and it was a leader in the industry.

**The Accelerator Crisis**

February 2009 just three years after the sludge crisis Toyota found itself in the ER, but not again.

Consumers had been noticing their concerns of faulty accelerator pedals on some Toyota models.

Rep. Latham the Secretary of the U.S. Department of Transportation said the AP "Toyota may be a little safety shy." This obviously crippled Toyota and the previous word of the "Customer First" doctrine.

Over nearly later another 1.8 million vehicles were recalled but once again Toyota refused to take responsibility, another 2.3 million vehicles were recalled shortly after and eventually resulted in total of 4.8 million vehicles.

**Conclusion**

Toyota's handling of the crisis was a significant event in the company's history. The company's refusal to take responsibility for the crisis led to a major recall of Toyota vehicles and a significant loss of trust in the company.

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# TOYOTA

**Overview**

Toyota Motor Corporation (TM) is a Japanese multinational automotive manufacturer. It is the world's largest automaker and a major supplier of engines and powertrains.

Toyota's success is based on its "Toyota Way" of production, which emphasizes quality, efficiency, and respect for people.

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**Early Timeline**

- 1920: Toyota, founder Kiichiro Toyoda, is founded in Japan
- 1930: etc. as an independent company; produces tools for Toyota's war effort
- 1947: After devastation post-war recovery, Toyota restarts production of passenger vehicles
- 1957: Toyota Motor Sales (TMS) est. in U.S.
- 1980: Joint venture with GM, called NUMMI, serves as a training program for U.S. operations

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**Timeline Continued**

- 1999: GM Sledge Crisis
- 2006: NHTSA reports regarding Toyota Camrys
- 2007: GM's automotive market takes a very dip

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**Timeline Continued**

2008: Toyota tops GM as top car seller internationally

Year	GM Sales	Toyota Sales
2007	1,000,000	800,000
2008	900,000	1,100,000
2009	800,000	1,200,000
2010	700,000	1,300,000

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**Management Culture at Toyota**

- Toyota's success is based on its "Toyota Way" of production, which emphasizes quality, efficiency, and respect for people.
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Timeline of Toyota Management Philosophies

- 1940s: Toyota Way
- 1950s: Toyota Way
- 1960s: Toyota Way
- 1970s: Toyota Way
- 1980s: Toyota Way
- 1990s: Toyota Way
- 2000s: Toyota Way
- 2010s: Toyota Way

**'The Toyota Way'**

- Respect for people
- Continuous improvement
- Go and see for yourself (Gemba walk) to see what's really going on
- Standardize work (SOP) and improve it
- Visual management
- Eliminate waste (Muda)
- Prevent mistakes (Poka-yoke)
- Respect the environment

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**The Old Sledge Crisis**

During a routine inspection of a pickup truck in a factory, the pickup truck's emergency brake system was found to be defective. The defect was traced back to a faulty design of the brake system.

Toyota's approach to quality control is based on the principle of "Jidoka" (automation with a human touch), which allows workers to stop the production line if they find a defect.

In response to the crisis, Toyota implemented a recall program for the affected vehicles.

**Toyota's Payment Fight Before the Accelerator Crisis**

Toyota's payment fight before the accelerator crisis was a result of its strict quality control standards. Toyota's approach to quality control is based on the principle of "Jidoka" (automation with a human touch), which allows workers to stop the production line if they find a defect.

**The Accelerator Crisis**

February 2009 just three years after the sledge crisis Toyota found itself in the PR hot seat again.

Consumers had been noticing their consumers of faulty accelerator pedals on some Toyota models.

Rep Latham the Secretary of the U.S. Department of Transportation said the AP "Toyota may be a little safety def". This obviously crippled Toyota and the previous work of the "Customer First" initiative.

Over several million 3.4 million vehicles were recalled but once again Toyota refused to take responsibility, another 2.3 million vehicles were recalled shortly after and eventually resulted in total of 5.7 million vehicles.

**Conclusion**

Toyota's approach to quality control is based on the principle of "Jidoka" (automation with a human touch), which allows workers to stop the production line if they find a defect.

# Overview

*In 2010, the president of Toyota stood before the U.S. House of Representatives to address his company's failure in meeting their responsibilities following a series of fatal accidents involving their car model, the Toyota Camry*

*The public backlash was intense, and Toyota suffered greatly for it*

*How did the Accelerator Crisis get as bad as it did for Toyota?*

*Was it a media witch hunt?*

*What about Toyota's leadership may have played a role?*

*What about Toyota's history may have played a role?*

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## *Early Timeline*

*1933: Toyota, under Kiichiro Toyoda, is founded in Japan*

*1939: Est. as an independent company; produces trucks for Japan's war effort*

*1947: After disastrous post-war economy, Toyota resumes production of passenger vehicles*

*1957: Toyota Motor Sales (TMS) est. in U.S.*

*1982: Joint venture with GM, called NUMMI, serves as a training program for U.S. operations*

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## *Timeline Continued*

*1999: Oil Sludge Crisis*

*2006: NHTSA reports surging in Toyota Camrys*

*2007: Global automotive market takes a steep dive*

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## Timeline Continued

2008: Toyota tops GM as top car seller internationally

Exhibit 2. Global Automobiles Industry Share:  
% Share, by Value, 2008

<u>Company</u>	<u>% Share</u>
Toyota Motor Corporation	12.80
General Motors Corporation	8.90
Daimler AG	8.10
Ford Motor Company	7.80
Other	62.40
<b>Total</b>	<b>100.00</b>

Source: *Datamonitor.*

Exhibit 3. U.S. Automobiles Industry Share:  
% Share, by Value, 2009

<u>Company</u>	<u>% Share</u>
Toyota Motor Corporation	17.80
Ford Motor Company	17.50
General Motors Corporation	14.50
Honda Motor Company, Limited	11.80
Chrysler Group LLC	7.50
Other	30.90

Source: *IBISWorld.*

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## *Management Culture at Toyota*

- *Long recognized, both internally and externally, as "customer first"*
- *Has gone through numerous philosophical and managerial changes*
- *Under the helm of new, relatively younger president, Akio Toyoda*
- *Pioneer of lean management; "The Toyota Way" (now becoming stretched with global ambitiousness)*
- *Sprawling U.S. presence with poor communications back to Japan*

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*8,900 U.S. employees*

*14 U.S. regional facilities*

*1,500 U.S. dealerships*

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## Timeline of Toyota Management Philosophies

### 1933-1995

- Led by Toyoda family patriarchs; starting with Kiichiro Toyoda and ending with Tatsuro Toyoda.
- Company moves from Japan to the international market, and develops "The Toyota Way"
- By 1995 company is ailing health and in need of new direction

### 2009-Present

- Amidst safety concerns, Akio Toyoda becomes president of Toyota
- Toyota, disappointed by the direction Toyota had been led in, states: "I will go back to the basics of the foundation of the company"
- Breaking with Japanese cultural norms, Akio Toyoda lies the blame with previous leadership

### 1995-2009

- Toyota is headed by a series of non-family presidents
- Aggressive policies designed to accelerate growth are implemented, with resounding success
- Cost-cutting, and inability to transplant Toyota culture overseas at the same rate of expansion, results in weakening of customer-first attitude



# *"The Toyota Way"*

- *A precursor to Lean Management systems*
- *Central to Toyota's way of doing business, and has its roots in the company's early history*
- *Based on the principle of eliminating waste ("Muda") from the assembly process*
- *Founded on two base ideas; "Jidoka" and "just-in-time"*
- *Researched and praised by American scholars in the 1980s*
- *"There is a sense of danger. We must prevent The Toyota Way from getting more and more diluted as Toyota grows overseas." --Koki Konishi, Company General Manager (2007)*

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