

The Toyota brand name has earned an international reputation for quality. The roots of Toyota Motor Corporation, founded in 1937, stem from the Toyoda Automatic Loom Works. Sakichi Toyoda invented a loom with an automatic stopping function; whenever a thread broke or the machine ran out of thread, it stopped automatically. This approach was built into automotive assembly lines to improve quality and productivity and led to the development of the “Toyota Production System,” which has commonly become known as lean production. A significant feature of lean production is the practice of continuous improvement by every worker, demanding the questioning of every process and testing of all assumptions. Errors and defects are viewed as learning opportunities to remove waste and improve efficiency. In 1951, Eiji Toyoda instituted a system of creative suggestions based on the motto “Good Thinking, Good Products,” which is prominently displayed in every production facility. One example is the Rakuraku seat, a comfortable work chair mounted on the tip of an arm that allows a line worker to easily get into and out of cramped car-body interiors. In 2000, more than 650,000 suggestions were submitted—almost 12 per employee—and 99 percent were adopted.

At Toyota, everybody helps whenever they can. Even top and middle managers are well-known for getting their “hands dirty” by helping workers on the production line when necessary. Toyota uses games, competitions, and cultural events to promote its 3 C’s: creativity, challenge, and courage. It trains workers extensively, not only in job skills, but also in personal development that focuses on positive attitudes and a sense of responsibility. Toyota’s education system includes formal education, on-the-job training, and informal education.

Toyota is implementing a direct monitoring system that supports quality. For example, its French plant is connected by a broadband system to the head office, enabling it to transmit video, audio, and facility performance data. Engineers in Japan can monitor the data of the plant’s operation in real time, check machinery utilization rates, diagnose malfunctions, and provide ideas for improvement. Information technology and e-commerce are also used to expand

¹ Our thanks go to a former student, Boris Méndez Rojas, for his research in developing the information in this case.

relationships with suppliers and customers. For example, customers may request quotes and gather information that previously was only available to dealers.

Shotaro Kamiya, first president of Toyota Motor Sales, stated, “The priority in receiving benefits from automobile sales should be in the order of the customer, then the car dealer, and lastly the maker. This attitude is the best approach in winning the trust of customers and dealers and ultimately brings growth to the manufacturer.” The guiding principles of Toyota are as follows:

1. Honor the language and spirit of the law of every nation and undertake open and fair corporate activities to be a good corporate citizen of the world.
2. Respect the culture and customs of every nation and contribute to economic and social development through corporate activities in the communities.
3. Dedicate ourselves to providing clean and safe products and to enhancing the quality of life everywhere through all our activities.
4. Create and develop advanced technologies and provide outstanding products and services that fulfill the needs of customers worldwide.
5. Foster a corporate culture that enhances individual creativity and teamwork value, while honoring mutual trust and respect between labor and management.
6. Pursue growth in harmony with the global community through innovative management.
7. Work with business partners in research and creation to achieve stable, long-term growth and mutual benefits, while keeping ourselves open to new partnerships.

Toyota has approximately 40 production facilities in more than 20 countries and regions outside Japan. When Toyota began expanding outside of Japan, many believed that the culture could not be copied or applied to foreign cultures, especially in the United States. With a focus of incorporating the best elements of Japanese and local traditions, while avoiding the weaknesses of both, Toyota has proven that its approaches and culture can work everywhere.

One popular phrase at Toyota is “change or die.” The company continually seeks to redefine itself to adapt to changes in society and the business environment. Toyota’s recent vision is captured by the phrase harmonious growth—a harmony between man, society, and the environment.

We wish to make Toyota not only strong but a universally admired company, winning the trust and respect of the world. We must be a company that is accepted wholeheartedly by

people around the world, who would think it natural if Toyota became No. 1 in size, since we provide attractive products that excel in environmental protection and in safety and thus contribute immensely to local communities. That is the goal of “Harmonious Growth” and what I regard as corporate virtue. - Hiroshi Okuda, Chairman

Key Issues for Discussion

1. What do Toyota’s guiding principles mean for its management system? In particular, how do they reflect the principles of total quality?
2. Many health care organizations have learned from manufacturing companies in their quality journey. What can nonmanufacturing companies learn and apply from Toyota’s philosophy and practices? Suggest specific things that education and government might learn.