

Has Toyota lost its way?

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Tom Johnson (QW Nov '09) explained Toyota's first two years of losses, following 50 years of outstanding financial results, as being due to losing sight of the fundamentals. Perhaps the recent news is further and even more compelling evidence. Mr Toyoda (Toyota's chairman) chastised Toyota's management, imploring them to return to basics. But is it too late? Since 2000 top management at Toyota have pursued finance-driven growth, a direct contradiction of Taiichi Ohno's teaching that financial results emerge from a focus on relationships.

As Toyota has grown it has employed more and more managers who, inevitably, will be more familiar with management by the numbers than management by means (as Johnson expresses it) and a few weeks training in classrooms won't change that. Growing into new territories gave Toyota little choice than combining with existing dealerships, dens of low-trust traditional management thinking – yet these are the people who are responsible for the most important relationship, with the customer.

So should it come as a surprise that the current problems have been reported for some time, without Toyota acting? Reports of dealers actively ignoring customers' complaints suggest not. When I visited Toyota USA I was astonished to learn that dealers believed that a car could not be sold unless it is on the lot. Customer analyses showed customers would be happy to wait for a short time to get the car they wanted (and who knows how to do that?) but the dealers' beliefs prevail. Terrificly poor customer satisfaction with Toyota's service led to attempts to take Toyota's manufacturing excellence into the dealers, but in the USA and Europe I saw tools from manufacturing being inappropriately transferred to service and sales, making the same mistake that all tool-heads make. And as a Lexus driver I often lament that the Toyota System has never been extended to Toyota's service and sales organisations, I have many sad experiences as testament.

We can be confident it ain't over yet. But we mustn't throw the baby out with the bathwater. Even if Toyota fails we should guide managers back to Ohno's lessons. They were the genesis of an economic miracle and even if Toyota fails to get back on track others can and do emulate his brilliance, achieving comparable profound results.